



BULKY DOCUMENTS

(Exceeds 100 pages)

Proceeding/Serial No: **91164764**

Filed: 07/13/2010

Title: **REPLY MEMORANDUM IN SUPPORT OF
MOTION FOR LEAVE TO FILE THIRD AMENDED
NOTICE OF OPPOSITION.**

Part 1 of 2

HOWREY



TTAB

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July 13, 2010

FILE: 05666.0002.000000

U.S. Patent & Trademark Office
Trademark Trial and Appeal Board
Madison East, Concourse Level Room C55
600 Dulany Street
Alexandria, VA 22314

Re: Brink's Network, Incorporated v. Brinkmann Corporation
Oppositions No. 91164764

Dear Sir or Madam:

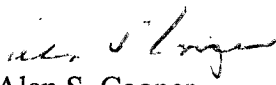
Enclosed please find the following:

1. Reply Memorandum in Support of Motion for Leave to File Third Amended Notice of Opposition;
2. Appendices A, B, C, D, E, F, G and I;
3. Declaration of Kristin T. D'Andrea in Support of Opposer's Motion for Leave to File Third Amended Notice of Opposition, including Appendix A;
4. Notice of Filing Confidential Appendices to Reply Memorandum in Support of Motion for Leave to File Third Amended Notice of Opposition;
5. Appendices H and J, FILED UNDER SEAL; and
6. A self-addressed postage paid postcard to evidence receipt.

We respectfully request that the attached postcard be stamped with the date of filing of the above documents, and that it be returned to our courier.

We believe there is no fee associated with this filing. However, if a fee applies, please charge that fee to our Deposit Account No. 083038, reference no. 05666.0002.000000.

Sincerely,


Alan S. Cooper


07-13-2010

ASC/jap
Enclosures

AMSTERDAM BRUSSELS CHICAGO EAST PALO ALTO HOUSTON IRVINE LONDON LOS ANGELES
MADRID MUNICH NEW YORK NORTHERN VIRGINIA PARIS SALT LAKE CITY SAN FRANCISCO TAIPEI WASHINGTON, DC



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

BRINK'S NETWORK, INCORPORATED)	
)	
Opposer)	
)	
v.)	Opposition No. 91164764
)	
BRINKMANN CORPORATION)	
)	
Applicant)	

REPLY MEMORANDUM IN SUPPORT OF
MOTION FOR LEAVE TO FILE THIRD
AMENDED NOTICE OF OPPOSITION

I. INTRODUCTION

Opposer, Brink's Network, Inc., has moved for leave to file a Third Amended Notice of Opposition which alleges, *inter alia*, Opposer's ownership of: (1) Registration No. 2,585,259 of the mark BRINKS & Design for keyed and combination metal locks and hasps; (2) Registration No. 2,582,146 of the mark BRINKS for keyed and combination metal locks and hasps; and (3) Registration No. 3,548,670 of the mark BRINKS & Design for timers.

Applicant, The Brinkmann Corp., contests the present motion principally on the grounds that Opposer has been "inexcusably dilatory" and has not provided an explanation for the "undue delay" involved in asserting ownership of these registrations. However, as Applicant is well aware, there are legitimate reasons set forth below that explain the time lapse in the filing of the present motion. Moreover, Applicant simply ignores the fact that the three additional registrations in question cover products – locks and timers – that clearly fall within the category of residential security products which have been a part of this proceeding since the beginning.

II. ARGUMENT

A. OPPOSER IS ENTITLED TO PROVIDE AN EXPLANATION AS TO THE TIME LAPSE IN QUESTION IN RESPONSE TO APPLICANT'S ARGUMENT OF UNREASONABLE DELAY

It is at least arguable that an explanation for the time lapse in pleading the three additional registrations should not be required where Applicant has not even attempted to make a showing of any specific prejudicial effect. However, Opposer has set forth below the reasons for the time lapse in question – reasons as to which Applicant is well aware as a result of its discovery in this proceeding.

The additional factual information presented below is appropriate because it is directed and responsive to the assertion at p. 1 of Applicant's opposing Memorandum that Opposer was "inexcusably dilatory" in seeking to amend the Notice of Opposition to allege ownership of the three registrations in question. *See Hawaiian Moon, Inc. v. Doo*, 2006 TTAB LEXIS 163 n. 4 (TTAB April 27, 2006) (Board will consider additional evidence submitted with the opposer's reply brief when such evidence is directed to statements in the applicant's opposing brief); *Grupo Marti S.A. v. MARTI'S S.A.*, 2006 TTAB LEXIS 124 n. 3 (TTAB April 4, 2006) (motion to strike evidence submitted with respondent's reply memorandum denied because such evidence is directed to statements in petitioner's opposing brief).¹

B. THERE ARE LEGITIMATE REASONS BEYOND OPPOSER'S CONTROL THAT EXPLAIN THE TIME LAPSE IN ASSERTING THE ADDITIONAL REGISTRATIONS

¹ Although the two cited decisions are designated as non-precedential, the USPTO Official Gazette Notice, dated January 23, 2007, states that "[a] decision designated as not precedential is not binding upon the TTAB but may be cited for whatever persuasive value it might have." It is respectfully submitted that the rationale and decisions in these two cases have significant persuasive value in the present context in terms of supporting Opposer's right to present additional factual information in its Reply Memorandum which is responsive to an argument presented in Applicant's opposing Memorandum.

When the initial Notice of Opposition ("initial Notice") was filed in April 2005, Opposer's related company Brink's Home Security, Inc. ("BHS") was using the marks BRINKS and BRINKS HOME SECURITY in various forms for residential and commercial security services. Specifically, ¶ 6 alleged the prior and continuous use of the mark BRINKS for commercial and residential security systems and related monitoring services by Opposer and its predecessor and related companies, and ¶¶ 13 and 14 alleged ownership of Registration Nos. 1,412,587 and 1,411,610, respectively, which cover such services. Par. 4 in the initial Notice also alleged prior use of the mark BRINK'S in various forms in connection with related commercial and residential security equipment. Consistent with such usage, ¶ 15 alleged Opposer's ownership of Registration No. 2,330,884 of the mark BRINK'S HOME SECURITY & Design for keyed and combination metal locks. Accordingly, Applicant clearly has been on notice of Opposer's rights in the mark BRINK'S in various forms for both security monitoring services *and* products since the outset of this proceeding.

Opposer's related company BHS was established in 1983 as a wholly-owned subsidiary of Opposer's corporate parent, The Brink's Company ("BCO"), to address the growing home security market.² In 1983, BHS commenced using the marks BRINK'S and BRINK'S HOME SECURITY in connection with commercial and residential security alarm and monitoring services.³ Opposer's former related company Brink's Home Security Holdings, Inc. ("BHSH") was incorporated in 2008 as a wholly-owned subsidiary of BCO to

² Annexed hereto as Appendix A is a true copy of the Form 10-K submitted by Opposer's then related company Brink's Home Security Holdings, Inc. to the U.S. Securities and Exchange Commission ("SEC") covering the fiscal year ending December 31, 2008, which was produced on June 11, 2010 under Broadview 000808-000886 in response to a discovery subpoena served by Applicant. This document attests to the fact that BHS was incorporated in 1983 as a wholly-owned subsidiary of BCO. (Broadview 000811.)

³ See Opposer's Answer to Applicant's Interrogatory No. 4, at pp. 7-8 of Opposer's Answers to Applicant's Amended First Set of Interrogatories served on August 7, 2008, a true copy of which is annexed hereto as Appendix B.

continue providing residential and commercial security monitoring services, principally through BHS.⁴

On September 12, 2008, BCO's Board of Directors approved the separation of BCO into two independent, publicly traded companies, which is referred to as the "spin-off".⁵ As part of the spin-off, BHS became a wholly-owned subsidiary of BSHS.⁶ The spin-off was implemented through a series of transactions pursuant to a Separation and Distribution Agreement entered into by BCO and BSHS.⁷ Following those transactions, BCO (Opposer's corporate parent) and BSHS and its subsidiary BHS were separate, independently-owned entities. In June 2009, BHS changed its corporate name to Broadview Security, Inc. ("Broadview Security").⁸

Concurrent with the spin-off, Opposer and Broadview Security entered into a Brand Licensing Agreement under which Opposer granted a license to Broadview Security to use the mark BRINKS in various forms in connection residential and commercial security monitoring services for a period of three (3) years, *i.e.*, until October 31, 2011.⁹ On

⁴ See Appendix A at Broadview 000811.

⁵ *Id.*

⁶ *Id.*

⁷ Annexed hereto as Appendix C is a true copy of the Separation and Distribution Agreement, dated October 31, 2008, which was produced on June 11, 2010, in response to Applicant's discovery requests under production nos. Broadview 000887-000924.

⁸ Annexed hereto as Appendix D is a true copy of the Form 10-K submitted by Opposer's then related company BSHS to the SEC covering the fiscal year ending December 31, 2009, which was produced on June 11, 2010, under production nos. Broadview 000723-000807 in response to a discovery subpoena served by Applicant. This document attests to the fact that BHS announced Broadview Security as its new brand name on June 30, 2009. (Broadview 000726.).

⁹ Annexed hereto as Appendix E is a true copy of the Brand Licensing Agreement, dated October 31, 2008, which was produced on June 11, 2010 under production nos. Broadview 000925-000942 in response to Applicant's discovery requests.

October 31, 2008, Broadview Security and BCO also entered into a Non-Competition and Non-Solicitation Agreement¹⁰ which provides that BCO will not use of the mark BRINKS in connection with rendering residential and commercial security monitoring services for a five period that concludes on October 31, 2013.

In July 2009, Broadview Security began operating under the trade name and service mark BROADVIEW.¹¹ The Rule 30(b)(6) discovery deposition of Broadview Security taken by Applicant on June 29, 2010, as well documents and materials previously produced in response to Applicant's discovery requests, establish that since July 2009 Broadview Security has continued to use the mark BRINKS in connection with its promotion and rendering of residential and commercial security monitoring services to the present time in the form of the slogan mark THE NEXT GENERATION OF BRINKS HOME SECURITY.¹² The same slogan mark also appears on the standard Protective Service Agreement used by Broadview Security to provide security monitoring services to consumers since July 2009.¹³

On or about February 9, 2010, while proceedings in this opposition were still suspended, the proposed acquisition of BSHS by Tyco International Ltd. ("Tyco") was made

¹⁰ Annexed hereto as Appendix F is a true copy of the Non-Competition and Non-Solicitation Agreement, dated October 31, 2008, which was produced on June 11, 2010 under production nos. Broadview 000943-000948 in response to Applicant's discovery requests.

¹¹ See Appendix D at Broadview 000726.

¹² Annexed hereto as collective Appendix G are true copies of representative advertisements and promotional materials disseminated by Broadview since July 2009 which evidence the ongoing use of the slogan mark THE NEXT GENERATION OF BRINKS HOME SECURITY, which were produced on June 11, 2010 under production nos. Broadview 001065-001072. A CD containing representative television commercials broadcast by Broadview since July 2009 which evidence the ongoing use of the slogan mark THE NEXT GENERATION OF BRINKS HOME SECURITY was also produced on June 11, 2010.

¹³ Filed separately under seal as Appendix H is a true copy of the Broadview Security Protective Service Agreement which was produced on June 11, 2010 under production nos. Broadview 000992-000993 in response to Applicant's discovery requests.

public.¹⁴ This acquisition would result in the merger of Broadview Security into Barricade Merger Sub, Inc. ("Barricade"), a wholly-owned subsidiary of Tyco.¹⁵ Tyco's acquisition of Broadview Security became effective May 14, 2010.¹⁶

On June 28, 2010, Opposer and Barricade entered into a First Amendment to the Brand Licensing Agreement ("First Amendment") between Opposer and BSHS dated October 31, 2008.¹⁷ The First Amendment permits the continued use of the marks BRINKS and BRINKS HOME SECURITY in connection with residential and commercial security monitoring services by Barricade until August 15, 2010 (subject to a limited extension until August 27, 2010 for a fixed royalty payment).¹⁸ It appears that by no later than August 27, 2010, Barricade and its subsidiary Broadview Security intend to stop utilizing the BRINKS marks.¹⁹

However, even if Barricade and Broadview Security do cease all use of the BRINKS marks in connection with residential and commercial security monitoring services on or before August 27, 2010, there still will be continuing use by Barricade of various BSHS

¹⁴ Annexed hereto as Appendix I is a true copy of the Form S-4 Registration Statement relating to the proposed acquisition filed by Tyco with the SEC on February 9, 2010, which was produced on June 11, 2010 under production nos. Broadview 000001-000232 in response to Applicant's discovery requests. The details of the acquisition are set forth at Broadview 000003.

¹⁵ See Appendix I at Broadview 000010-000011.

¹⁶ A true copy of the Form 8-K which was submitted by BCO to the SEC on June 29, 2010, is attached as Appendix A to the Declaration of Kristin T. D'Andrea filed concurrently herewith (hereinafter the "D'Andrea Dec."). Among other things, this document attests to the fact that BSHS merged into Barricade on May 14, 2010 (D'Andrea Dec., App. A at p. 2). Counsel for Opposer received this document on July 12, 2010, and is serving a copy on Applicant's counsel as a supplemental document production concurrently with the filing of this Reply Memorandum.

¹⁷ *Id.*, App. A at p. 2.

¹⁸ *Id.*, App. A at p. 2.

¹⁹ *Id.* at Ex. 10.1

domain names that incorporate the mark BRINKS for a period of one year after termination of the Brand Licensing Agreement.²⁰ More importantly, there still will be continuing use of the marks BRINKS and BRINKS HOME SECURITY by Opposer's licensee Hampton Products International Corporation ("Hampton") in connection with various residential security products, namely, padlocks, door hardware and security lighting products pursuant to the current license granted to Hampton by Opposer's related company Brink's Guarding Services, Inc. ("BGS") on January 1, 2005.²¹ Thus, even if the use BRINKS and/or BRINKS HOME SECURITY for residential and commercial security monitoring services is discontinued by Barricade and Broadview Security, there would still be continuing use of those marks for residential security products and equipment by Opposer's licensee Hampton, which would maintain the long, prior and continuous use of the mark BRINKS in the residential security field, among other commercial areas.

Given the changes discussed above, it became necessary for Opposer to augment the registrations pleaded in the Notice of Opposition to include several that cover the mark BRINKS specifically for residential security products sold by Hampton pursuant to the license granted by Opposer's related company BGS.²² However, as discussed below, the timing of the present motion does not involve in any undue "delay". Proceedings in this opposition were suspended from October 24, 2009 as a result of the filing of Opposer's

²⁰ *Id.*

²¹ Filed separately under seal as collective Appendix J is a true copy of the January 1, 2005 Trademark Licensing Agreement with Hampton and the amendments thereto which was produced on February 13, 2007 and July 30, 2009, under production nos. Brinks 05007-05021 and Brinks 09492A-09497A in response to Applicant's discovery requests.

²² Applicant took discovery directed to Hampton's use of the BRINKS marks pursuant to the license agreement during a Rule 30(b)(6) discovery deposition of Hampton taken by Applicant's counsel on June 16, 2010.

motion to compel discovery²³ until April 23, 2010, when the Board granted that motion and resumed proceedings. Some three weeks later on May 14, 2010, Tyco's acquisition of Broadview Security was approved by Broadview Security's Board of Directors and became effective as of that date.²⁴

Thus, the events leading to the filing of the present motion asserting Opposer's ownership of the three additional registrations of the marks BRINKS and BRINKS & Design – namely, Tyco's acquisition of Broadview Security and the resulting question as to the continuing use of the BRINKS marks in connection with residential security monitoring services – occurred during and shortly after the time period when proceedings were suspended. The motion for leave to file the Third Amended Notice of Opposition was filed on June 4, 2010, less than one month after Tyco's acquisition of Broadview Security became effective.

Under these circumstances which clearly are beyond Opposer's control, any time lapse in filing the present motion is completely reasonable in light of the suspension of proceedings from October 21, 2009 until April 23, 2010,²⁵ and the May 14, 2010 effective date of the Tyco acquisition of Broadview Security, and should not preclude the relief which Opposer seeks, particularly in light of Applicant's total failure to make any showing of prejudice as discussed below.

²³ On October 24, 2009, the Board entered an Order in accordance with Rule 2.120(e)(2) of the Trademark Rules of Practice that suspended proceedings pending disposition of Opposer's motion to compel filed on October 1, 2009.

²⁴ See D'Andrea Dec., App. A *supra*.

²⁵ See e.g., *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha*, 26 USPQ2d 1503 (TTAB 1993) (filing of a motion for leave to amend the notice opposition was not dilatory when the delay was due to a suspension of proceedings triggered by a previously-filed motion for summary judgment).

C. APPLICANT DID NOT PRESENT ANY ARGUMENT AS TO HOW IT
WOULD BE PREJUDICED IF THIS MOTION WERE GRANTED

Applicant summarily asserts at p. 5 of its opposing Memorandum that it “will be unduly prejudiced if Opposer is allowed to drag the proceeding out further by adding three completely new registrations for different goods to its Notice of Opposition.” But even apart from the fact that the goods described in the new registrations are not “different”, Applicant has not provided any reasons demonstrating that it would be prejudiced. Absent some *specific* showing as to how Applicant would be prejudiced by the granting of the present motion, Opposer should be given leave to file the Third Amended Notice of Opposition. See *Universal City Studios, LLP v. Brost*, 2004 TTAB LEXIS 496 (TTAB Aug. 18, 2004) (non-precedent) (absence of any showing as to need for additional discovery resulted in granting of motion to amend); *Multi-Local Media Corp. v. Interstate Publisher's Corp.*, 1999 TTAB LEXIS 280 (TTAB July 1, 1989) (non-precedent) (absence of any showing of prejudice other than normal cost and delay insufficient to defeat motion to amend).²⁶

D. APPLICANT'S ATTACK ON OPPOSER'S § 43(c) CLAIM IS UNTIMELY AND
CONTRARY TO THE PRIOR DECISION DENYING APPLICANT'S MOTION
TO DIMISS THAT CLAIM

Applicant objects to Opposer's motion to the extent that the Third Amended Notice of Opposition continues to include a claim for dilution under § 43(c) of the Federal Trademark Act. Applicant's objection is without merit for two reasons. First, Applicant's objection is tantamount to a motion to dismiss for failure to state a claim upon which relief can be granted under Rule 12(b)(6) Fed. R. Civ. P. Such a motion would be untimely given that

²⁶ These two non-precedent decisions also have persuasive value and should be considered in this context. See fn 1, *supra*.

Opposer's dilution claim has been in this proceeding since Opposer filed its initial Notice on April 1, 2005, and Applicant long ago filed its responsive pleading to that claim.²⁷

Second, Applicant's objection is precluded based on the Board's decision dated March 16, 2009, which denied Applicant's motion for partial summary judgment to dismiss Opposer's dilution claim:

"[W]e find unpersuasive applicant's argument that opposer cannot prevail on its dilution claim because it opposes registration of BRINKMANN for only some of applicant's identified goods. Applicant cites no case law in support of its position, no such requirement is imposed, and the USPTO treats each international class of goods or services in a multi-class application as a separate application." (Slip Opinion, p. 6.)

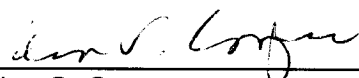
Accordingly, Applicant's continued attack on Opposer's dilution claim should be rejected as untimely and based on the law of the case.

IV. CONCLUSION

For the reasons stated above and in Opposer's original Memorandum, Opposer should be granted leave to file the Third Amended Notice of Opposition.

BRINK'S NETWORK, INC.

Date: July 13, 2010

By: 
Alan S. Cooper
Alesha M. Dominique
Howrey LLP
1299 Pennsylvania Avenue, NW
Washington, DC 20004-2402
Tel. (202) 783-0800
Fax (202) 383-7195

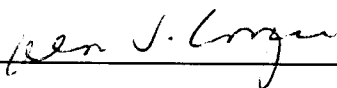
Attorneys for Opposer

²⁷ A Rule 12(b)(6) motion to dismiss must be filed concurrently with or prior to the filing of the answer to the pleading that asserts that claim. *E.g.*, *Western Worldwide Enterprises Group Inc. v. Qinqdao Brewery*, 17 USPQ2d 1137, 1139 (TTAB 1990).

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing Reply Memorandum in Support of Opposer's Motion for Leave to File Third Amended Notice of Opposition was served on the following attorneys of record for Applicant by Federal Express overnight courier service on this 13th day of July 2010:

Gary A. Clark, Esq.
Susan Hwang, Esq.
Sheppard, Mullin, Richter & Hampton LLP
333 South Hope Street, 48th Floor
Los Angeles, California 90071





Docket No. 05666.0002

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

BRINK'S NETWORK, INCORPORATED)	
)	
Opposer)	
)	
v.)	Opposition No. 91164764
)	
THE BRINKMANN CORPORATION)	
)	
Applicant)	

DECLARATION OF KRISTIN T. D'ANDREA IN
SUPPORT OF OPPOSER'S MOTION FOR LEAVE
TO FILE THIRD AMENDED NOTICE OF OPPOSITION

KRISTIN T. D'ANDREA declares as follows:

(1) I am a Litigation Case Manager employed by Howrey LLP, counsel for Opposer Brink's Network, Incorporated, in the above-referenced opposition proceeding and have responsibility for maintaining the files in connection with that proceeding. The facts set forth below are based on my personal knowledge and, if called as a witness, I could and would testify competently with respect to these facts.

(2) Attached hereto as Appendix A is a true copy of the Form 8-K submitted by Opposer's parent company, The Brink's Company, to the U.S. Securities and Exchange Commission ("SEC") on June 29, 2010 which I found on the Internet website for the SEC.

In accordance with 28 U.S.S. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

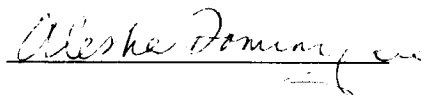
Executed at Washington, D.C., this 13 day of July, 2010.


Kristin T. D'Andrea

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing Declaration of Kristin T. D'Andrea in Support of Opposer's Motion for Leave to File Third Amended Notice of Opposition was served on the following attorneys of record for Applicant by Federal Express overnight courier service on this 13th day of July 2010:

Gary A. Clark, Esq.
Susan Hwang, Esq.
Sheppard, Mullin, Richter & Hampton LLP
333 South Hope Street, 48th Floor
Los Angeles, California 90071





APPENDIX A

**Declaration of Kristin T. D'Andrea in Support of
Opposer's Motion for Leave to File
Third Amended Notice of Opposition**

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): June 29, 2010 (June 28, 2010)

THE BRINK'S COMPANY
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation)

001-09148
(Commission File Number)

54-1317776
(IRS Employer Identification No.)

1801 Bayberry Court
P. O. Box 18100
Richmond, VA 23226-8100
(Address and zip code of
principal executive offices)

Registrant's telephone number, including area code: (804) 289-9600

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2.):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting materials pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13c-4(c) under the Exchange Act (17 CFR 240.13c-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On June 28, 2010, Brink's Network, Incorporated ("BNI"), an indirect wholly owned subsidiary of The Brink's Company (the "Company"), entered into a First Amendment to Brand Licensing Agreement (the "First Amendment") with Barricade Merger Sub, Inc. ("Barricade"), successor by merger to Brink's Home Security Holdings, Inc. ("BHSH"). On May 14, 2010, BHSH was merged into Barricade, a direct wholly owned subsidiary of Tyco International Ltd. The First Amendment amends the Brand Licensing Agreement dated October 31, 2008 between BNI and BHSH (the "Brand Licensing Agreement") that was entered into in connection with the Company's spin-off of BHSH in 2008.

The First Amendment (i) fixes a termination date of August 15, 2010 (subject to a limited extension period described below, the "Termination Date") for the Brand Licensing Agreement and establishes a fixed royalty amount of \$2,770,000 for the period beginning April 1, 2010 and ending on the Termination Date, to be paid by Barricade to BNI on or before July 21, 2010, and (ii) provides Barricade with the right to extend the Termination Date of the Brand Licensing Agreement until August 27, 2010, for an additional payment of \$307,778.

The foregoing description of the First Amendment is qualified in its entirety by reference to the complete terms and conditions of the First Amendment, which is attached as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference in its entirety.

Item 9.01. Financial Statements and Exhibits.**(d) Exhibits**

- 10.1 First Amendment to Brand Licensing Agreement between Brink's Network, Incorporated and Barricade Merger Sub, Inc. (successor by merger to Brink's Home Security Holdings, Inc.)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE BRINK'S COMPANY
(Registrant)

Date: June 29, 2010

By: /s/ McAlister C. Marshall, II
McAlister C. Marshall, II
Vice President

EXHIBIT INDEX

EXHIBIT

DESCRIPTION

10.1

First Amendment to Brand Licensing Agreement between Brink's Network, Incorporated and Barricade Merger Sub, Inc. (successor by merger to Brink's Home Security Holdings, Inc.)

FIRST AMENDMENT TO BRAND LICENSING AGREEMENT

This FIRST AMENDMENT TO BRAND LICENSING AGREEMENT (this "AMENDMENT") dated as of June 28, 2010, is by and between Barricade Merger Sub, Inc., a Delaware corporation ("LICENSEE"), successor by merger to Brink's Home Security Holdings, Inc. ("BHSI"), and Brink's Network, Incorporated, a Delaware corporation ("LICENSOR").

WITNESSETH

WHEREAS, LICENSOR and BHSI entered into that certain Brand Licensing Agreement dated as of October 31, 2008 (the "AGREEMENT");

WHEREAS, capitalized terms used in this AMENDMENT and not otherwise defined herein have the meanings given to such terms in the AGREEMENT;

WHEREAS, under the terms of the AGREEMENT, LICENSOR granted LICENSEE a license to utilize the TRADE SYMBOLS to provide SERVICES and to market PRODUCTS in the TERRITORY;

WHEREAS, on May 14, 2010, BHSI was merged into LICENSEE, a direct wholly owned subsidiary of Tyco International Ltd.;

WHEREAS, on May 14, 2010, BHSI assigned this AGREEMENT to LICENSEE with the consent of The Brink's Company, the parent corporation of LICENSOR;

WHEREAS, LICENSEE and its subsidiary Broadview Security, Inc. intend to stop utilizing the TRADE SYMBOLS and LICENSEE intends to terminate the AGREEMENT no later than August 27, 2010; and

WHEREAS, LICENSOR and LICENSEE desire to agree on the amount of the final licensing fee to be paid by LICENSEE to LICENSOR and certain other matters as set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Capitalized terms used in this AMENDMENT and not otherwise defined herein have the meanings given to such terms in the AGREEMENT.

2. The AGREEMENT shall be deemed terminated as of August 15, 2010 (the "TERMINATION DATE"), without the requirement of further notice from either party. Notwithstanding the foregoing, LICENSEE shall have the option to extend the

TERMINATION DATE to August 27, 2010 ("EXTENSION PERIOD") upon written notice exercising such option given to LICENSOR not later than August 10, 2010.

3. In lieu of and in substitution for any remaining or further ROYALTY AMOUNTS that would be payable to LICENSOR pursuant to Section 6 of the AGREEMENT for the period commencing April 1, 2010, through the Termination Date and, if applicable, the Extension Period, LICENSEE shall pay LICENSOR the fixed sum of (a) two million seven hundred and seventy thousand dollars and No/100 Dollars (\$2,770,000.00) (the "INITIAL PAYMENT") for the period commencing April 1, 2010, through August 15, 2010, and (b) three hundred seven thousand seven hundred and seventy-eight dollars (\$307,778.00) for the EXTENSION PERIOD, if any (the "SUBSEQUENT PAYMENT") (collectively, the "FINAL ROYALTY AMOUNT"), as full and final payment of all ROYALTY AMOUNTS due and payable to LICENSOR for the period commencing April 1, 2010, through the TERMINATION DATE and the EXTENSION PERIOD, as applicable. LICENSEE shall pay the INITIAL PAYMENT to LICENSOR on or before July 21, 2010 and shall pay the SUBSEQUENT PAYMENT, if any, to LICENSOR on or before August 10, 2010. Subsections 6(e), (f), (g), and (h) of the AGREEMENT shall continue to apply to the FINAL ROYALTY PAYMENT.

4. Subsection 2(b) of the AGREEMENT is hereby deleted and the following substituted therefor:

"(b) LICENSEE shall not have the right to grant sublicenses to the right to use the TRADE SYMBOLS without the prior written approval of LICENSOR, which LICENSOR may refuse in its sole discretion. Notwithstanding the foregoing, LICENSEE may, without LICENSOR's approval (subject to LICENSEE's compliance with the last sentence of Section 12), sublicense its rights hereunder to (i) Broadview Security, Inc. and Broadview Security Canada Limited, or (ii) any agent, subcontractor, dealer, distributor or other representative of LICENSEE, Broadview Security, Inc. or Broadview Security Canada Limited solely to the extent necessary to enable such agent, subcontractor, dealer, distributor or other representative to provide SERVICES or PRODUCTS for or on behalf of LICENSEE, Broadview Security, Inc., or Broadview Security Canada Limited, provided that (x) such sublicense shall be subject to the terms and conditions of this AGREEMENT, and (y) such sublicense shall terminate automatically upon such sublicensee's ceasing to be a WHOLLY OWNED SUBSIDIARY of LICENSEE or an agent, subcontractor, dealer, distributor or other representative, as applicable, of LICENSEE, Broadview Security, Inc., or Broadview Security Canada Limited. LICENSEE shall be responsible for each such sublicensee's compliance with the terms of this AGREEMENT and such sublicense and shall be liable for any breach of this AGREEMENT and such sublicense by each such sublicensee. For the avoidance of doubt, LICENSEE shall not sublicense, use or directly or indirectly permit the use of the TRADE SYMBOLS for any advertising or marketing campaign or materials that reference any PERSON other than Broadview Security, Inc. or Broadview Security Canada, Limited."

5. Subsection 5(h)(ii) of the AGREEMENT is hereby amended by deleting and replacing sub-section (D) with the following and adding a new sub-section (E) as follows:

“(D) for a period of one (1) year after termination, cancelation or expiration of this AGREEMENT, LICENSOR shall, at LICENSEE’s expense cooperate, with LICENSEE to maintain registration of the BHS DOMAIN NAMES and use reasonable efforts to redirect internet users that attempt to access any BHS DOMAIN NAME to the domain name adopted by LICENSEE for its continuing business to replace such BHS DOMAIN NAME that is provided by LICENSEE to LICENSOR in writing for this purpose, pursuant to arrangements reasonably satisfactory to LICENSOR AND LICENSEE; provided that LICENSEE shall indemnify LICENSOR in respect of any claims arising at any time, directly or indirectly, from LICENSOR’s compliance with this clause (D) on the terms set forth in Section 13 (treating such claims as having arisen in connection with LICENSEE’s performance under this AGREEMENT), and

(E) for a period of six (6) months after termination, cancelation or expiration of this AGREEMENT (“LINK PERIOD”), LICENSOR shall, at LICENSEE’s expense, provide a link on the Brink’s website “www.brinks.com” to up to three (3) websites to be adopted by LICENSEE for its continuing business (the “LINKS”) that are provided by LICENSEE to LICENSOR for this purpose, pursuant to arrangements reasonably satisfactory to LICENSOR and LICENSEE, provided that LICENSEE shall have the option to extend the LINK PERIOD for additional one-month periods, up to a maximum of six (6) additional months, if LICENSEE and its AFFILIATES collectively receive one hundred and fifty (150) or more SALES LEADS (as defined below) during the prior month and LICENSEE provides written notice certifying the receipt of SALES LEADS and exercising such option to LICENSOR within three (3) business days of the end of such month, and further provided that LICENSEE shall indemnify LICENSOR in respect of any claims arising at any time, directly or indirectly, from LICENSOR’s compliance with this clause (E) on the terms set forth in Section 13 (treating such claims as having arisen in connection with LICENSEE’s performance under this AGREEMENT). For purposes of this Subsection 5(h)(ii)(E) of the Agreement, “SALES LEAD” is defined as an individual or business that contacts LICENSOR or its AFFILIATES via the LINKS and expresses an interest in the services or products offered by LICENSOR or its AFFILIATES.

Notwithstanding any provision herein to the contrary, this Subsection (h) shall survive the termination, cancelation or expiration of this AGREEMENT.”

6. The following shall be added to Section 17 of the AGREEMENT:

“Notwithstanding anything contained herein or in any other document to the contrary, neither this AGREEMENT nor any of the rights, licenses and obligations of LICENSEE hereunder shall be assigned, conveyed, sublicensed (except as otherwise provided in Section 2) or transferred in whole or in part by LICENSEE without LICENSOR’S prior written consent which LICENSOR may in its sole discretion

withhold. Except for the assignment of the AGREEMENT to LICENSEE, LICENSEE hereby represents and warrants that neither the AGREEMENT nor any of the rights, licenses or obligations of LICENSEE hereunder have been assigned, conveyed, sublicensed (except as otherwise provided in Section 2) or transferred."

7. All other terms and provisions of the AGREEMENT not specifically modified by this AMENDMENT, including, without limitation, all terms and provisions related to the discontinuance of the use of the TRADE SYMBOLS set forth in subsections 5 (g), and (j) of the AGREEMENT, shall continue in full force and effect as specified in the AGREEMENT.

IN WITNESS WHEREOF, each of the parties hereto has caused this FIRST AMENDMENT TO BRAND LICENSING AGREEMENT to be executed and sealed by its duly authorized representative on the date indicated.

BRINK'S NETWORK, INCORPORATED

By: /s/ Frank T. Lennon
Name: Frank T. Lennon
Title: Vice President

BARRICADE MERGER SUB, INC.

By: /s/ John S. Jenkins Jr.
Name: John S. Jenkins Jr.
Title: Vice President

APPENDIX A

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

10-K 1 d10k.htm FORM 10-K

Brink's Network, Inc. v. Brinkmann Corp.
 Opposition No. 91164764
 Offering Party: Brink's Network, Inc.
 Appendix A

Table of Contents

**UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
 EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

**" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934**

For the transition period from

to

Commission file number 1-34088

Brink's Home Security Holdings, Inc.

(Exact name of registrant as specified in its charter)

Virginia
 (State or other jurisdiction of
 incorporation or organization)

80-0188977
 (I.R.S. Employer
 Identification No.)

8880 Esters Boulevard, Irving, TX 75063
 (Address of principal executive offices)
 (Zip Code)

(972) 871-3500
 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None
 (Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes " No **x**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes " No **x**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **x** No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐
No ☒

As of June 30, 2008, the Registrant's common stock was not publicly traded.

As of March 26, 2009, there were issued and outstanding 45,769,171 shares of common stock.

Documents incorporated by reference: Part III incorporates information by reference from portions of the Registrant's definitive 2009 Proxy Statement to be filed pursuant to Regulation 14A.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	9
Item 1B. <u>Unresolved Staff Comments</u>	13
Item 2. <u>Properties</u>	14
Item 3. <u>Legal Proceedings</u>	14
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	14
<u>PART II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	15
Item 6. <u>Selected Financial Data</u>	17
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	40
Item 8. <u>Financial Statements and Supplementary Data</u>	41
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	71
Item 9A. <u>Controls and Procedures</u>	71
Item 9B. <u>Other Information</u>	71
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	71
Item 11. <u>Executive Compensation</u>	71
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	72
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	72
Item 14. <u>Principal Accountant Fees and Services</u>	72
<u>PART IV</u>	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	73

Table of Contents**PART I****ITEM 1. BUSINESS***Overview*

Brink's Home Security Holdings, Inc., which was incorporated in Virginia in 2008, is a full service provider of residential and business security systems. We conduct business in one operating segment primarily through our operating subsidiary, Brink's Home Security, Inc. ("Brink's Home Security"), which markets, installs, services, and monitors security alarm systems throughout North America. We operate in more than 250 metropolitan areas and serve over 1.3 million customers in all 50 states and two Canadian provinces. We have developed a reputation for reliability and superior service by making high quality and affordable monitored alarm systems widely available to homeowners and businesses. We believe we are the second largest provider of security alarm monitoring services for residential and commercial properties in North America.

Brink's Home Security was incorporated in Delaware in 1983 as a wholly owned subsidiary of The Brink's Company ("BCO") to address the growing home security market. Brink's Home Security became a wholly-owned subsidiary of Holdings upon completion of the Spin-off transaction described below. As used in this Report, (a) references to "Holdings," "Company," "we," "us" and "our" refer to Brink's Home Security Holdings, Inc. and its consolidated subsidiaries, including Brink's Home Security, after the Spin-off, and (b) references to the "Company" on a historical basis, prior to the Spin-off, refer to Brink's Home Security and its consolidated subsidiaries, in each case unless the context requires otherwise.

The Spin-off

On September 12, 2008, the Board of Directors of BCO approved the separation of BCO into two independent, publicly traded companies through the distribution of 100% of the common stock of Brink's Home Security, a wholly-owned subsidiary of BCO, to shareholders of BCO (the "Spin-off"). To effect the Spin-off, BCO transferred all outstanding shares of Brink's Home Security to Holdings, another wholly owned subsidiary of BCO, through a series of transactions pursuant to a Separation and Distribution Agreement between BCO and Holdings. On October 31, 2008, BCO distributed all of the shares of Holdings to the stockholders of BCO at a ratio of one share of Holdings common stock for each share of BCO common stock held by each such holder as of the record date of October 21, 2008.

In connection with the Spin-off, the following key transactions or events occurred:

- Our Registration Statement on Form 10 was declared effective by the U.S. Securities and Exchange Commission on October 8, 2008.
- BCO received a private letter ruling from the Internal Revenue Service and an opinion of counsel that the distribution of Holdings' common stock qualified as a tax-free distribution for U.S. Federal income tax purposes.
- On October 21, 2008, Holdings entered into a \$75 million unsecured credit facility, with an option to increase to \$125 million under certain conditions.
- BCO contributed \$50 million in cash to us on October 31, 2008, and all intercompany balances were forgiven.
- BCO retained all assets and liabilities related to the qualified and non-qualified BCO defined benefit pension plans, and agreed to make all required payments under such plans to our current and former employees;
- BCO agreed to indemnify us for any and all liabilities and expenses related to BCO's former coal operations, including any health care coverage obligations. BCO also agreed to indemnify us for certain tax liabilities incurred prior to Spin-off.

Table of Contents

- We entered into a Brand Licensing Agreement with a subsidiary of BCO. Under the agreement, we are entitled to use the Brink's brand name and logos for no more than three years from the Spin-off date. Under the agreement, our licensing fees decreased to 1.25% of net revenues from the approximate 7% historical rate, and provided for BCO to acquire from us the third party licensing agreements that had historically contributed royalty income to us.
- We entered into various other agreements with BCO, including a Non-Competition and Non-Solicitation Agreement, pursuant to which BCO agreed not to compete with us in the United States, Canada and Puerto Rico with respect to certain specified activities for a period of five years from the Spin-off date.

On November 3, 2008, after completion of the Spin-off, we began trading "regular way" as an independent public company on the New York Stock Exchange under the symbol "CFL", reflecting our corporate mission of creating "Customers For Life".

Business Fundamentals

We serve a geographically diverse customer base of over 1.3 million subscribers located throughout the United States and Western Canada. Our primary customers are residents of single-family homes, which comprise more than 90% of our subscriber base. The majority of new customers is generated organically through our internal sales force, while the remainder is acquired through our authorized dealer program and through partnerships with leading home builders.

We view our business as having two key activities: managing our existing customer base and acquiring new customers. We operate our business with the goal of retaining customers for long periods of time to recoup the initial investment in new subscribers, achieving cash flow break-even in approximately four years. Management of the existing subscriber base is focused on low customer attrition, or customer disconnect rate, which has ranged from 6.4% to 7.5% annually over the past three years.

The predictability of our revenues has enabled us to generate stable cash flow from operations, a substantial portion of which is reinvested each year, at our discretion, to grow the subscriber base. Our ending subscriber base grew 6.3% in 2008, as compared to an 8.8% growth in 2007. Growing the subscriber base requires significant upfront cash investment, consisting primarily of direct materials and labor to install the security systems, direct sales costs, indirect sales costs, marketing costs, and administrative costs related to installation activities. For the last few years, our average total upfront cash outlay for a new customer security system installed by one of our field offices, including amounts expensed and capitalized, has ranged from approximately \$1,350 to \$1,550. This amount does not take into account upfront installation fees collected from customers, which, on average, have ranged from \$300 to \$350. Including these payments, our net cash cost per new installation in recent periods has ranged from \$1,100 to \$1,250. The economics of our installation business varies slightly depending on the customer acquisition channel.

On average, each of our existing 1.3 million subscribers pays us more than \$31 per month in recurring cash revenue. We use the cash margin generated on that revenue to offset the initial investment made in new subscribers. Our focus on keeping customer disconnect rates low is fundamental to the success of our economic model.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information regarding monthly recurring revenue, subscriber growth, disconnect rates, and EBITDA from recurring services over the past three years

Marketing and Sales

To grow the subscriber base and to create brand awareness, we market our security systems through national television advertisements, internet advertising, yellow pages, direct mail, alliances with other consumer-based

Table of Contents

companies, inbound telemarketing, and sales specialists in both Company field offices and our dealer network. Our "direct response" marketing efforts are designed to generate and direct telephone calls and internet traffic into our centralized inbound telemarketing sales group. In addition, on a localized basis, we participate in many different types of local events to promote our services to prospective customers, including home shows, family expos, retail events, and various industry trade shows and meetings.

Sales are generally closed over the phone by the centralized sales group or by field sales personnel during on-site consultations with prospective customers. Our reliance on strict standards for our internal sales force and our dealers enables us to better control the sales process from inception to installation and manage the quality of customer service over the life of the contract. Other sales distribution channels include:

- our field sales force, which self-generates additional sales from prospective residential and commercial customers;
- our authorized dealer network, which cost-effectively extends our reach into new geographic areas by aligning with select independent security installers;
- strategic alliances with other service companies, including home inspection firms, which target new home owners early in the home buying process;
- our Brink's Home Technologies ("BHT") division. BHT, which partners with large national and regional homebuilders to install home security systems, as well as home networking, communications, and home theater and entertainment systems, directly for the owners of new homes and homes under construction; and
- our national account team, which generates sales from commercial clients with multiple locations.

Although our business is concentrated in residential security, we also market and sell security systems and monitoring services to the commercial market. We believe that expansion of our commercial customer base is a significant growth opportunity for us. Commercial security customers represented approximately 5% of our total customer base as of December 31, 2008. We are continuing to develop additional capabilities and geographic reach in commercial security. During 2008, commercial installation volume grew by 7%, representing approximately 9% of new customer installations.

Services and Products

Monitoring services are generally governed by our standard Protective Service Agreement. Under this agreement, the customer pays the initial installation fees and is then obligated to make monthly payments for the remainder of the initial contract term. The standard term for our Protective Service Agreement is three years, which automatically renews for additional one year periods unless cancelled by either party, except in six states where state law requires the renewal period to be month-to-month. If a customer attempts to cancel the contract prior to the end of the initial or roll-over contract term or is otherwise in default, we have the right under the contract to receive from the customer an amount equal to all remaining monthly payments.

Monitoring services are generally billed monthly in advance. Approximately 45% of our subscribers pay us through automated payment methods. We periodically adjust the standard monthly monitoring rate charged to new subscribers. From time to time, we also may adjust the monthly rates of our existing subscribers who have completed their initial contract terms.

In addition to monitoring service, we provide technical service to our subscriber base for routine maintenance as well as installation of additional equipment. More than half of the subscriber base is enrolled in a service plan which generates recurring monthly revenues. Service contracts comprise the majority of service revenue, with on-call service fees constituting the balance of service revenue.

Generally, we retain ownership of the security equipment used in our monitoring services. However, certain products, installed primarily through our BHT and commercial distribution channels, may be sold directly to the

Table of Contents

customer. These products include video surveillance equipment, access control, commercial fire alarm systems, wiring for home communications networks, home theater systems, intercom, multi-room sound systems and some security systems.

We select, install and service high quality security products. Our customized control panel is manufactured by a third party to our rigorous specifications. This enhanced control panel and its family of related peripheral components are capable of supporting the vast majority of residential applications and a significant number of commercial applications. We offer a wide variety of high quality detection sensors which communicate with our control panel. These include motion detectors, glass break detectors, perimeter door and window sensors, and smoke and carbon monoxide detectors.

The majority of our subscribers use standard land-line telephone service as the primary communication method for alarm signals from their sites. However, the capability to provide alternative methods of communication of signals from subscribers' control panels to our central monitoring stations has become increasingly important. We currently offer a variety of wireless alarm communication methods including cellular, digital radio, broadband internet, and voice over internet protocol.

Field Operations

We currently operate 68 field offices located throughout the United States and western Canada, from which locations we provide services for pre-defined ZIP code-based territories including sales calls, security system installations, and field service and repair. Our technical staff of approximately 1,100 technicians provides installation and service support from our field office locations. We have approximately 600 field sales consultants, each of whom completes comprehensive centralized training prior to conducting customer sales presentations. We staff our field offices to efficiently and effectively make sales calls, install security systems, and provide service support based on near-term activity forecasts for each market.

Dealer Network

To expand our geographic coverage and leverage our national advertising, we have an extensive dealer network, which consists of approximately 170 authorized dealers operating in 47 states. In 2008, our dealer network accounted for 21% of new customer installations and 13% of the total subscriber base. Authorized dealers are generally required to adhere to the same high quality standards for both installation and service support as Company-owned field offices.

We provide dealers with a full range of services designed to assist them in all aspects of their business including forwarding sales opportunities, sales and technician training, detailed weekly account summaries, sales support materials, and discounts on security system hardware and installation supplies purchased through our third-party distributor.

We purchase newly installed security systems and related monitoring contracts from our dealers. We conduct thorough due diligence on each dealer to ensure reliability and consistent high quality installations. Subscribers secured by our dealers are geographically diverse and are primarily single-family homeowners. In 2008, 9% of dealer installations were in commercial businesses.

Typically, we have a right of first refusal to purchase sites and related customer relationships sold by authorized dealers, but are not obligated to acquire these sites. Subscriber contracts typically have an initial term of three years and automatically renew on an annual basis. If a contract is canceled during an initial guarantee period, the dealer is required to reactivate the site and contract, or refund the purchase price. To help ensure the dealers' obligations, we typically withhold a portion of the purchase price for each site.

Table of Contents

Monitoring Facilities and Services

Our two monitoring facilities are located in Irving, Texas, and Knoxville, Tennessee. We employ approximately 750 customer care and monitoring professionals, who have completed extensive initial training and continue to receive ongoing training. Both facilities hold Underwriters' Laboratories ("UL") listings as protective signaling services stations. UL specifications for monitoring centers cover building integrity, back-up computer and power systems, staffing, and standard operating procedures. Many jurisdictions have laws requiring that security alarms for certain buildings be monitored by UL-listed facilities. In addition, a UL listing is required by insurers of certain commercial customers as a condition of coverage. In the event of an emergency at one of our two monitoring facilities (e.g., fire, tornado, major interruption in telephone or computer service, or any other event affecting the functionality of the facility), all monitoring operations can be automatically transferred to the other facility. Additionally, many non-operator employees at each facility are cross-trained as operators, should there be a short-term or emergency need for additional monitoring operators.

Both of our monitoring facilities operate 24 hours a day on a year-round basis. Incoming alarm signals are routed via an internal communications network to the next available operator in either facility. Operators are quickly updated with information including the name and location of the customer and site, as well as the nature of the alarm signal. Depending upon the type of service specified by the customer contract, operators respond to emergency-related alarms by calling the customer by phone (for verification purposes) and relaying information to local fire or police departments, as necessary. Additional action may be taken by the operators as needed, depending on the specific situation.

Customer Care

We maintain a service culture aimed at creating "Customers for Life", the basis for our stock market ticker "CFL", because developing customer loyalty and retention are critical to our long-term success. We take a disciplined approach to selecting the right customers and providing high quality customer service. The customer selection process focuses on evaluating the customer's ability to honor the standard three-year contract through pre-sale credit evaluation. To maintain our high standard of customer service, we provide high quality training to call center employees, field employees, and dealer personnel, and we continually measure and monitor key operating and financial metrics. We have received awards for our monitoring and customer service, including six consecutive years of recognition by J.D. Power and Associates for delivering "An Outstanding Customer Service Experience" for call center operations and customer satisfaction excellence.

Our employees are trained to provide high quality service through prompt handling of calls and quick resolution of most subscriber issues. We use a customized information system that quickly and accurately provides our customer care specialists with technical and administrative information regarding customers and their security systems, including detailed account and site history. This system enables our personnel to resolve most customer issues with a single contact. Our emphasis on customer service results in fewer false alarms, more satisfied customers, and better customer retention rates. Customer care specialists answer non-emergency telephone calls regarding service, billing and alarm activation issues. Our two monitoring centers provide telephone and Internet coverage 24 hours a day on a year-round basis. To ensure that technical service requests are handled promptly and professionally, all requests are routed through our customer contact centers. Customer care specialists help customers resolve minor service and operating issues related to security systems. In many cases, the customer care specialist is able to remotely resolve technical issues by downloading data directly into the alarm panel at the site. When an issue is not correctable from the customer contact center, our specialist can schedule a field technician service appointment during the same phone call.

Suppliers

We do not manufacture the equipment used in our security systems. Equipment is purchased from a limited number of suppliers and distributors. We maintain minimal inventories of equipment at each field office. Safety stock on certain key items is maintained by third-party distributors to cover minor supply chain disruptions. We do not anticipate any major interruptions in our supply chain.

Table of Contents

Industry Trends and Competition

The home security industry has historically been very stable, with revenue growth at an estimated compounded annual rate of 8% over the 2003-2008 timeframe. We have grown revenue at an average annual rate of 11% over the last six years. This time period includes the housing correction that began in 2006. We believe the factors driving this growth include heightened security concerns about crime rates, an aging and wealthier population, an increase in dual income households, increased business travel, and changes in personal time away from the home.

The security monitoring industry is highly fragmented, with the top five companies comprising only about 40% of the total market. Remaining competitors include more than 14,000 local and regional companies, the vast majority of which generate annual revenue of less than \$500,000. We believe our primary competitors with national scope include:

- ADT Security Services, Inc., a part of Tyco International, Ltd.
- Protection One, Inc.
- Monitronics International, Inc.
- Stanley Security Solutions, a part of The Stanley Works

We generally are recognized as the second largest provider of monitored security services to residential and commercial properties in North America.

The North American monitored residential and commercial security industry was estimated to have revenues of approximately \$14 billion in 2007. We believe that security industry penetration of single-family owner-occupied housing is relatively low, estimated at approximately 20%, providing significant opportunity for future growth and increased market share. We believe the differentiating factors contributing to our growth over the past several years are our focus on obtaining high quality customers, providing centralized training to all field personnel and dealer representatives, standardized security systems, and a service culture aimed at creating "Customers for Life". At an estimated \$8 billion, the commercial market is larger than the estimated \$6 billion residential market, but commercial customers comprise only about 5% of our subscriber base.

Success in the residential and commercial markets depends on a variety of factors including company reputation, market visibility, service quality, product quality, price, and the ability to identify and solicit prospective customers. There is substantial competitive pressure on installation fees and monitoring rates. Several significant competitors offer installation prices that match or are lower than our prices. Other competitors charge significantly more for installation but may charge less for monitoring. We believe that our monitoring and service rates are competitive compared to rates offered by other major security companies.

Trademarks

One of our competitive strengths has been our brand name recognition. Effective upon the Spin-off, we entered into a licensing agreement that entitles us to use the Brink's brand name until the earlier of October 31, 2011, or when we cease to actively use the Brink's brand and terminate the license. We incur a 1.25% royalty rate on net revenues for the use of the Brink's brand name. We are engaged in a comprehensive initiative to introduce a new brand name in the third quarter of 2009. We will likely continue to make use of the Brink's brand name in conjunction with our new brand name until our new brand name has established a high level of brand awareness and responsiveness from potential customers. See further discussion under "Risk Factors", Item 1A and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Employees

We employ more than 3,400 people, and we believe our employee relations are good.

Table of Contents

Government Regulation and Other Regulatory Matters

Our U.S. operations are subject to various federal, state and local consumer protection laws, licensing laws, and other laws and regulations. Most states have licensing laws that apply specifically to the alarm industry. In certain jurisdictions, we must obtain licenses or permits in order to comply with standards governing employee selection, training and business conduct. Our Canadian operations are subject to the national laws of Canada, and the provincial laws of British Columbia and Alberta.

Our business relies primarily on the use of standard fixed-wireline telephone service to transmit alarm signals. Fixed-wireline telephone companies, the cost of telephone lines, and the type of equipment used in telephone line transmission are regulated by the federal and state governments. The Federal Communications Commission and state public utilities commissions regulate the operation and use of wireless telephone and radio frequencies.

Our advertising and sales practices are regulated by the U.S. Federal Trade Commission and state consumer protection laws. In addition, we are subject to certain administrative requirements and laws of the jurisdictions in which we operate. These laws and regulations include restrictions on the manner in which we promote the sale of our security alarm services and require us to provide purchasers of our services with rescission rights.

Some local government authorities have adopted or are considering various measures aimed at reducing false alarms. Such measures include requiring permits for individual alarm systems; revoking such permits following a specified number of false alarms; imposing fines on alarm customers or alarm monitoring companies for false alarms; limiting the number of times police will respond to alarms at a particular location after a specified number of false alarms; and requiring additional verification of an alarm signal before the police respond.

The alarm industry is also subject to requirements imposed by various insurance, approval, listing and standards organizations. Depending upon the type of customer, the type of security service provided, and the requirements of the applicable local governmental jurisdiction, adherence to the requirements and standards of such organizations is mandatory in some instances and voluntary in others.

There can be no assurance as to whether new or revised laws impacting our business will be enacted or whether, if enacted, the laws would not have a material and adverse effect on us. The failure to comply with such regulations may result in the imposition of material fines, penalties, or injunctions and could require us to alter our business practices in a manner that we may deem to be unacceptable, which could slow our growth opportunities.

Available Information

We maintain an internet website under the name www.brinkshomesecurity.com. We make available, free of charge, on our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after providing such reports to the SEC.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other documents with the SEC under the Securities Exchange Act, as amended. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an internet website that contains reports proxy and information statements, and other information regarding issuers, including Brink's Home Security Holdings, Inc., that file electronically with the Sec. The public can obtain any document we file with the SEC at www.sec.gov. Information contained on, or connected to, our website is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing that we make with the SEC.

Table of Contents***Executive Officers***

Robert B. Allen, President, Chief Executive Officer and Director — 55, has served as President of Brink's Home Security, a wholly-owned subsidiary of the Company, since April 2001, and as President and Chief Executive Officer of the Company since September 2008. Mr. Allen also served as Executive Vice President and Chief Operating Officer of the Company from August 1999 through March 2001. Prior to joining the Company, Mr. Allen was Executive Vice President — Sales and Marketing for Aegis Communications, a provider of business process outsourcing. Prior to Aegis, he was Chief Operating Officer for ATC Communications Group, a telemarketing company, in Irving, Texas, and spent more than 16 years in various management positions with Pepsico, Inc. Mr. Allen received his Bachelor of Arts degree in Psychology from Dartmouth College and his Masters of Business Administration with concentrations in Finance and Marketing from the University of Chicago.

John S. Davis, Senior Vice President — General Counsel and Secretary — 52, has served as Senior Vice President — General Counsel of the Company since May 2008. During the year prior to joining the Company, Mr. Davis was a consultant for Major, Lindsey & Africa, a legal search firm. Mr. Davis also served as Executive Vice President and General Counsel for Carreker Corporation, a software and consulting company, from April 2005 through May 2007. Prior to Carreker, Mr. Davis was Senior Vice President, General Counsel and Secretary for Dave & Buster's Inc., a restaurant and entertainment company, for over three years. Mr. Davis received his JD from the University of Texas School of Law and his bachelor's degree in Journalism from the University of Texas at Austin.

Shawn L. Lucht, Senior Vice President — Strategy and Corporate Development — 42, has served as Senior Vice President — Strategy and Corporate Development of the Company since May 2008. Mr. Lucht began his career with the Company in June of 1991. He has held a variety of management roles of increasing responsibility during his tenure with the Company including Vice President — Brink's Home Technologies and Vice President — Business Development. Mr. Lucht received both his Bachelor of Business Administration and Masters of Business Administration from the University of Texas at Arlington.

Steven E. Neace, Senior Vice President — Field Operations — 50, has served as Senior Vice President — Field Operations of the Company since March 1996. Mr. Neace joined the Company in September 1990 and has served in various management capacities within the organization, including: Branch Manager, Director of Customer Relations and Vice President — National Operations. Mr. Neace received a Bachelor of Science degree in Business Administration from Arizona State University.

Stacey V. Rapier, Senior Vice President — Human Resources — 44, has served as Senior Vice President — Human Resources of the Company since July 2007. Ms. Rapier also served as Vice President — Human Resources of the Company from January 2001 to June 2007. Prior to joining the Company, Ms. Rapier held the position of Vice President of People & Corporate Services for The M/A/R/C Group, a marketing and research company, for two years and Vice President of People Development for AT&T Wireless from 1996 to 1999. Ms. Rapier received her Bachelor of Science in Business Administration from the University of Kansas.

Dwayne R. Sigler, Senior Vice President — Marketing — 53, has served as the Senior Vice President — Marketing since he joined the Company in May 2000. Prior to joining the Company, Mr. Sigler served as the Vice President of Marketing for Giant Eagle, a grocery retailer, from 1999 to 2000 and was Vice President of Marketing at GNC, a nutrition products retailer, from 1996 to 1999. Mr. Sigler received his Bachelor of Science in Marketing from Pace University and his Masters of Business Administration from the University of Pennsylvania — Wharton School of Business.

Robert D. Trotter, Senior Vice President and Chief Information Officer — 47, has served as Senior Vice President and Chief Information Officer of the Company since July 2007. Mr. Trotter served as Vice President — Information Technology from September of 2001 through June 2007. Prior to joining the Company, Mr. Trotter

Table of Contents

served as the Vice President/CIO for Vartec Telecom from 1998 to 2001. Mr. Trotter received his BBA in Business Computer Information Systems from the University of North Texas.

Carole L. Vanyo, Senior Vice President — Customer Operations — 47, has served as Senior Vice President — Customer Operations of the Company since September 2001. Ms. Vanyo joined the Company in May of 1998 as Vice President — Customer Operations. Prior to joining the Company, Ms. Vanyo was the Director of Customer Care for AT&T Wireless from 1995 to 1998. Ms. Vanyo received her Bachelor of Science in Business Administration from the University of Arizona.

Stephen C. Yevich, Senior Vice President and Chief Financial Officer — 53, has served as Senior Vice President and Chief Financial Officer of the Company since August 2001. He joined the Company in May 1998 as Senior Vice President — Finance and also served as Treasurer from February 2000 through June 2008. Prior to joining the Company, Mr. Yevich was Chief Financial Officer for Communications Expo, an electronics retailer, from 1996 to 1998 and served as Controller for Michael's Stores, an arts and crafts retailer, from 1988 to 1996. Mr. Yevich received his Bachelor of Science in Accounting and Business Administration from Washington and Lee University and his Masters of Management with concentrations in Finance and MIS from Northwestern University.

ITEM 1A. RISK FACTORS

We are exposed to risks in the operation of our business. Some of these risks are common to all companies doing business in the industry in which we operate and some are unique to our business. These risk factors should be considered carefully when evaluating our business. The occurrence of one or more of these events could significantly and adversely affect our business, prospects, financial condition, and results of operations or cash flows.

We are a new independent public company which has increased our expenses and administrative workload.

Following the Spin-off, we began operating as a stand-alone publicly traded company. Expenses as a result of our being a public company include additional amounts for legal and accounting services, governance and compliance costs, Board of Director fees and expenses, transfer agent fees, additional insurance costs, printing and filing fees and amounts for treasury, tax, investor and public relations. Other than short-term transition services charges which are expected to be approximately \$0.3 million, we will no longer incur an allocated corporate expense charge from BCO, which was \$4.1 million for the ten months ended October 31, 2008, \$8.0 million in 2007 and \$7.1 million in 2006. Securities laws and applicable exchange listing requirements impose various requirements on public companies, including requiring changes in corporate governance practices. Difficulties in complying with such laws and other legal and accounting requirements applicable to public companies could adversely affect our market value.

We are subject to contractual limitations on the use of the Brink's brand name and may not achieve similar brand recognition upon the roll out of our new brand.

Prior to the Spin-off, we operated as a subsidiary of BCO, and marketed our products and services using the Brink's brand name and logos. In connection with the Spin-off, we entered into a Brand Licensing Agreement with a subsidiary of BCO that grants us the right to use certain trademarks, including trademarks that contain the word Brink's, in the United States, Canada and Puerto Rico in connection with the provision of certain products and services. These rights will extend for up to no more than three years (that is, until October 31, 2011) (hereinafter, the "License Period"), subject to certain terms and conditions, after which we will no longer have the right to use the Brink's name. In addition, following the expiration of a five-year non-compete agreement between us and BCO on October 31, 2013, BCO will be able to operate a separate alarm monitoring business using the Brink's name in the United States, Canada and Puerto Rico.

Table of Contents***Limitations on our use of the Brink's brand could adversely affect our business and profitability.***

During the License Period, we will establish a new brand name for our business. In doing so, we will incur substantial costs associated with developing and marketing our new brand. There is uncertainty regarding the timing, duration and the amount of expense that may be incurred in the branding effort. We anticipate an incremental investment that could range from \$100 to \$150 million, primarily marketing expense, spread out over a minimum of 24 months after the rollout of the new brand commences, which we currently expect will begin in the third quarter of 2009. These estimates are dependent on general economic and strategic marketing decisions that will be made during the development and rollout of the new brand. As we introduce our new brand name to potential and existing customers, there is some risk that the volume of new installations and the disconnect rate could be negatively impacted. Despite our efforts, we may not be successful in achieving an acceptable level of recognition of our new brand. If we are not successful in achieving recognition for our new brand, our competitive position may be weakened and we may lose market share. However, these risks may be mitigated as we currently anticipate using the Brink's brand name concurrent with our new brand during the initial phases of the launch of our new brand in the third quarter of 2009.

The terms of our tax matters agreement with BCO may reduce our strategic and operating flexibility.

The Tax Matters Agreement we entered into with BCO, as a part of the Spin-off, provides for certain limitations on our ability to pursue strategic or other transactions that may maximize the value of our business and may discourage or delay a change of control that may be considered favorable to our shareholders. Under the Tax Matters Agreement, during the two-year period following the Spin-off, until October 31, 2010, we may not, unless certain conditions are satisfied, enter into or authorize (a) any transaction resulting in the acquisition of our stock or assets beyond certain thresholds, (b) any merger, (c) any issuance of equity securities beyond certain thresholds or (d) any repurchase of our common stock beyond certain thresholds.

If our Spin-off from BCO were to lose its tax-free status due to actions taken by us, we would be required to indemnify BCO for certain liabilities under our Tax Matters Agreement with BCO.

BCO received a private letter ruling from the IRS to the effect that, among other things, the Spin-off qualified for tax-free treatment under Section 355 of the Internal Revenue Code. The ruling was based upon representations by BCO that necessary conditions had been satisfied, and any inaccuracy in such representations could invalidate the ruling. If the IRS were to determine that the Spin-off does not qualify for tax-free treatment under Section 355 of the Code, then a U.S. holder that received our shares in the Spin-off would be treated as having received a distribution to the extent of the fair market value of the shares received on the Spin-off date. That distribution would be treated as taxable dividend income to the extent of such holder's ratable share of the current and accumulated earnings and profits of BCO, if any. Any amount that exceeds such share of earnings and profits of BCO would be treated first as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in its shares of common stock of BCO (thus reducing such adjusted tax basis) with any remaining amounts being treated as capital gains.

Generally, taxes resulting from the Spin-off failing to qualify for tax-free treatment for U.S. Federal income tax purposes would be imposed on BCO and BCO's shareholders. Under the Tax Matters Agreement, however, we would be required to indemnify BCO and its affiliates against all tax-related liabilities caused by such failure to the extent those liabilities arose as a result of an action taken by us or our affiliates or otherwise resulted from any breach of any representation, covenant or obligation of us or our affiliates under the Tax Matters Agreement or any other agreement entered into by us in connection with the Spin-off.

We are susceptible to downturns in the housing market and consumer discretionary income, which may inhibit our ability to sustain subscriber base growth rates.

Demand for alarm monitoring services is affected by the turnover in the housing market. Downturns in the rate of sale of new and existing homes, which we believe drives more than 50% of our new customer volume in

Table of Contents

any given year, would reduce opportunities to make sales of new security systems and services and reduce opportunities to take over existing security systems. With the extended slowdown in housing sales and the deterioration in the overall consumer environment, our new installation growth rate slowed during 2006 and 2007. We sustained a decline in new customer installations in 2008 as compared to 2007. In addition, current security alarm customers may decide to disconnect our services in an effort to reduce their monthly spending. Our long-term revenue growth rate depends on installations exceeding disconnects. If the housing market downturn is prolonged, our revenues and cash flow may be adversely affected.

We rely on a significant number of our subscribers remaining with us as customers for long periods of time.

We incur significant upfront cash costs for each new subscriber. It requires a substantial amount of time for us to receive cash payments (net of our recurring cash costs) from a particular subscriber that are sufficient to offset this upfront cost, with that period currently averaging approximately four years. Accordingly, our long-term profitability is dependent on our subscribers remaining with us as customers for long periods of time. This requires that we minimize our rate of subscriber disconnects, or attrition. Factors that can increase disconnects include customers who relocate and do not reconnect, problems with our service quality, an economic slowdown and the affordability of our service. If we fail to keep our subscribers for a sufficiently long period of time, our financial position and results of operations could be adversely affected.

Shifts in our customers' choice of telecommunications services and equipment could adversely impact our business and require significant capital expenditures.

Certain elements of our operating model have historically relied on our customers' continued selection and use of traditional land-line telecommunications to transmit alarm signals to our monitoring centers. There is a growing trend for customers to switch to the exclusive use of cell-phone, satellite, or internet communication technology in their homes and businesses, which requires customers to upgrade to alternative and often more expensive technologies to transmit alarm signals, which generally result in increased recurring revenues for us. This, however, could increase our customer attrition rates, slow down our new subscriber rates, or reduce our ability to attract a sufficient volume of new customers. In the future, we may not be able to successfully implement new technologies or adapt existing technologies to changing market demands. If we are unable to adapt timely to changing technologies, market conditions, or customer preferences, it could adversely affect our business.

We operate in a highly competitive industry.

The monitored security alarm industry is subject to significant competition and pricing pressures. We experience competitive pricing pressures on both installation fees and monitoring rates. Several significant competitors offer installation fees that match or are lower than our prices. Other competitors charge significantly more for installation but, in many cases, less for monitoring. Competitive pressure on monitoring and service fees is significant. We believe that the monitoring and service fees we offer are generally competitive with rates offered by other major security companies. Continued pricing pressure could adversely impact our customer base or pricing structure and have an adverse effect on our results of operations.

We also face potential competition from improvements in self-monitoring systems, which enable customers to monitor their home environment without third-party involvement. Advances in self-monitoring systems could progress to the point where we could be at a competitive disadvantage. Similarly, it is possible that one or more of our competitors could develop a significant technical advantage over us that allows them to provide additional service or better quality service or to lower their price, which could put us at a competitive disadvantage. Either development could adversely affect our growth and results of operations.

Table of Contents***We intend to pursue additional customer acquisition channels and strategic alliances, which may cause operating margins to suffer.***

We intend to expand our presence in the commercial alarm installation and monitoring market. We will also continue to evaluate other business opportunities, including expanding our services, adding customer acquisition channels, and forming new alliances with companies to market our security systems and services. This could result in our cost of investment in new subscribers growing at a faster rate than installations and related recurring revenue. Additionally, any new alliances or customer acquisition channels could have higher cost structures than our current arrangements, which could reduce operating margins and require more working capital. In the event that working capital requirements exceeded operating cash flow, we might have to draw on our credit facility or pursue other external financing, which may not be readily available.

We rely on third party providers for the components of our security systems and any failure or interruption in products or services provided by these third parties could harm our ability to operate our business.

The components for the security systems that we install are manufactured by third parties. We are therefore susceptible to interruptions in supply and to the receipt of components that do not meet our high standards. Any financial or other difficulties our providers face may have negative effects on our business. We exercise little control over our suppliers, which increases our vulnerability to problems with the products and services they provide. Any interruption in supply could cause delays in installations and repairs and the loss of current and potential customers. Also, if a previously installed component were found to be defective, we might not be able to recover the costs associated with its repair or replacement, and the diversion of technical personnel to address such an issue could affect subscriber, revenue, and profit growth.

We are exposed to greater risks of liability for employee acts or omissions, or system failure, than may be inherent in other businesses.

If a subscriber believes that he or she has suffered harm to person or property due to an actual or alleged act or omission of one of our employees or security system failure, he or she may pursue legal action against us, and the cost of defending the legal action and of any judgment could be substantial. Substantially all of our customer contracts contain provisions limiting our liability; however, in the event of litigation with respect to such matters, it is possible that these limitations may be deemed not applicable.

We carry insurance of various types, including general liability and professional liability insurance in amounts we consider adequate and customary for our industry. Some of our insurance policies, and the laws of some states, may limit or prohibit insurance coverage for punitive or certain other types of damages, or liability arising from gross negligence. If we incur increased losses related to employee acts or omissions, or system failure, or if we are unable to obtain adequate insurance coverage at reasonable rates, or if we are unable to receive reimbursements from insurance carriers, our financial condition and results of operations could be adversely affected.

We could be assessed penalties for false alarms.

Some local governments impose assessments, fines, penalties and limitations on either subscribers or the alarm companies for false alarms. A few municipalities have adopted ordinances under which both permit and alarm dispatch fees are charged directly to the alarm companies. Our alarm service contracts generally allow us to pass these charges on to customers. If more local governments were to impose assessments, fines or penalties, our customers might find these additional charges prohibitive and the growth of our subscriber base could be adversely affected. Further, to the extent we are unable to pass assessments, fines and penalties on to our customers, our operating results could be adversely affected.

Table of Contents

Police departments could refuse to respond to calls from monitored security service companies.

Police departments in a limited number of U.S. cities do not respond to calls from monitored security service companies, either as a matter of policy or by local ordinance. We have offered affected customers the option of receiving response from private guard companies, in most cases through contracts with us, which increases the overall cost to customers. If more police departments were to refuse to respond or be prohibited from responding to calls from monitored security service companies, our ability to attract and retain subscribers could be negatively impacted and our results of operations and cash flow could be adversely affected.

Our business operates in a regulated industry.

Our operations and employees are subject to various U.S. federal, state and local consumer protection, licensing and other laws and regulations. Most states in which we operate have licensing laws directed specifically toward the monitored security services industry. Our business relies heavily upon wireline telephone service to communicate signals. Wireline telephone companies are currently regulated by both the federal and state governments. Our Canadian operation is subject to the laws of Canada, British Columbia and Alberta.

Changes in laws or regulations could require us to change the way we operate, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses. If laws and regulations were to change or we failed to comply, our business, financial condition and results of operations could be materially and adversely affected.

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Statements preceded by, followed by or that otherwise include the words "believe," "anticipate," "estimate," "expect," "intend," "plan," "project," "prospects," "outlook," and similar words or expressions, or future or conditional verbs such as "will," "should," "would," "may," and "could" are generally forward-looking in nature and not historical facts. These forward looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any anticipated results, performance or achievements. We disclaim any intention to, and undertake no obligation to, revise any forward-looking statements, whether as a result of new information, a future event, or otherwise. These risks, uncertainties and contingencies, many of which are beyond our control, include, but are not limited to risks inherent in our Spin-off from our former parent corporation, including increased costs and reduced profitability associated with operating as an independent company, the demand for our products and services, the ability to identify and execute further cost and operational improvements and efficiencies in our core business, the actions of competitors, our ability to successfully develop and market a new brand, our ability to identify strategic opportunities and integrate them successfully, our ability to maintain subscriber growth, the number of household moves, the level of home sales or new home construction, potential instability in housing credit markets, our estimated reconnection experience, our ability to cost-effectively develop or incorporate new systems or technology in a timely manner, our ability to balance the cost of acquiring customers with the profit from serving existing customers, our ability to keep disconnect rates relatively low, the availability and cost of capital, and general business conditions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Table of Contents**ITEM 2. PROPERTIES**

We have 72 leased field offices and warehouse facilities located throughout the U.S. and one leased office in British Columbia, Canada. Our headquarters are located in Irving, Texas in a facility we own. This owned facility houses some of our administrative and technical support personnel. Additional personnel are located in portions of three nearby buildings in office spaces that are leased. Our headquarters also serve as one of our two central monitoring facilities. The second monitoring and service center, which we also own, is located near Knoxville, Tennessee.

The following table discloses our leased and owned facilities as of December 31, 2008.

<u>Region</u>	<u>Facilities</u>		
	<u>Leased</u>	<u>Owned</u>	<u>Total</u>
U. S.	72	2	74
Canada	1	—	1
Total	<u>73</u>	<u>2</u>	<u>75</u>

ITEM 3. LEGAL PROCEEDINGS

We are involved in various lawsuits and claims in the ordinary course of business. We have recorded accruals for losses that are considered probable and reasonably estimable. We believe that the ultimate disposition of these matters will not have a material adverse effect on our liquidity or financial position; however, losses from these matters or changes in estimates of losses for these matters may result in income or expense in any one accounting period that is material in comparison to the earnings of that period.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*Market Information and Holders*

Our common stock began trading "regular way" on the New York Stock Exchange under the symbol "CFL" on November 3, 2008. As of March 26, 2009, there were approximately 2,043 holders of record of our common stock.

The table below sets forth the reported high and low sales prices for our common stock on the New York Stock Exchange for the period from November 3, 2008 through December 31, 2008.

	<u>High</u>	<u>Low</u>
<u>2008</u>		
Fourth Quarter (Beginning November 3, 2008)	\$23.10	\$13.15

Dividend Policy

We have not paid cash dividends and do not anticipate the payment of cash dividends on our common stock in the immediate future.

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2008.

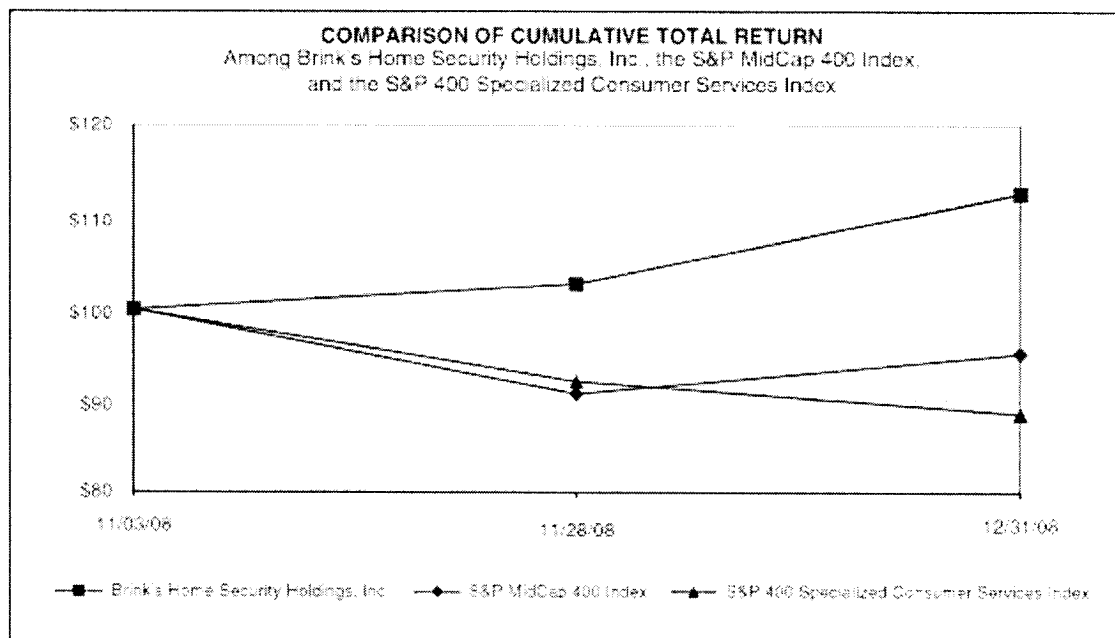
<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</u>
Equity compensation plans not approved by security holders ⁽¹⁾	1,231,364 ⁽²⁾	\$ 24.42 ⁽³⁾	1,270,104 ⁽⁴⁾

- (1) Includes common shares to be issued as awards under The Brink's Home Security 2008 Equity Incentive Plan ("2008 Equity Plan"), Non-Employee Directors' Equity Plan, Key Employees' Deferred Compensation Program, and the Directors' Stock Accumulation Plan. See Note 11 to the consolidated financial statements for additional information regarding these equity compensation plans. There have been no repurchases of common stock under the Company's plans as of December 31, 2008.
- (2) Included within the number of securities to be issued upon exercise are 783,964 unvested shares as of December 31, 2008.
- (3) Does not include deferred compensation units, units under the Directors' Stock Accumulation Plan, restricted stock units, and deferred stock units.
- (4) The 2008 Equity Plan provides for a maximum of 1,000,000 common shares to be issued as awards plus the aggregate number of shares subject to converted awards. The Non-Employee Directors' Equity Plan provides for a maximum of the sum of 500,000 shares to be issued as awards, the aggregate number of shares subject to the converted options, and the aggregate number of shares subject to the replacement deferred stock units. Note that restricted stock units are counted against the limit as two shares for every one share covered by the award under each of these plans. The Directors' Stock Accumulation Plan provides for a maximum of 100,000 common shares to be issued as awards. The Key Employees' Deferred Compensation Program and the Plan for Deferral of Directors' Fees do not have a limit on the number of shares to be issued as awards.

Table of Contents

Performance Graph

The following graph compares the relative performance of our common stock, the Standard & Poor's Midcap 400 Stock Index and the Standard & Poor's Midcap 400 GICS Specialized Consumer Services Sub-Index. This graph covers the period from November 3, 2008 (the first trade date immediately following the Spin-off), through December 31, 2008.



Company/Index	November 3, 2008	November 28, 2008	December 31, 2008
Brink's Home Security Holdings, Inc.	\$ 100	\$ 102.72	\$ 112.58
S&P MidCap 400 Index	100	90.73	95.13
S&P 400 Specialized Consumer Services Index	100	92.11	88.56

In each case, assumes a \$100 investment immediately following November 3, 2008, the first trading day following the Spin-off, and reinvestment of all dividends, if any.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The selected historical financial data and operating statistics presented below should be read in conjunction with our audited consolidated financial statements and accompanying notes, included in Item 8 herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 herein. The financial information may not be indicative of our future performance and does not necessarily reflect what the financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented, including changes that may occur as a result of the Spin-off, which occurred on October 31, 2008 and is discussed in Item 7 and Notes 1 and 2 to the consolidated financial statements.

Five Years in Review*(In millions, except where indicated)*

	2008	2007	2006	2005	2004
Statement of Income Data					
Revenues	\$ 532.3	\$ 484.4	\$ 439.0	\$ 392.1	\$ 345.6
Operating profit	94.0	73.0	63.2	57.1	51.5
Net income	57.1	44.2	36.3	36.0	33.1
Pro Forma Net Income per Common Share					
Basic	\$ 1.25	\$ 0.96	\$ 0.79	\$ 0.79	\$ 0.72
Diluted	1.25	0.96	0.79	0.78	0.72
Weighted average common shares outstanding (diluted) (in millions)	45.8	45.9	45.9	45.9	45.9
Balance Sheet Data					
Cash and cash equivalents	\$ 63.6	\$ 3.3	\$ 2.6	\$ 3.4	\$ 1.4
Property and equipment, net	659.3	606.0	536.7	467.7	394.0
Total assets	876.9	763.7	689.4	605.0	523.7
Long-term debt, less current maturities	—	—	—	—	0.4
Shareholders' equity	482.0	405.5	357.6	318.9	283.0
Cash Flow data					
Cash flow from operating activities	\$ 224.0	\$ 183.7	\$ 155.9	\$ 119.1	\$ 119.0
Cash flow from investing activities	(177.8)	(175.8)	(163.9)	(162.2)	(117.5)
Cash flow from financing activities	14.2	(7.3)	7.2	45.2	(1.8)
Other Financial and Operating Data					
Monthly recurring revenue ^(a)	\$ 40.5	\$ 37.2	\$ 33.1	\$ 29.1	\$ 26.1
EBITDA from recurring services (normalized to 1.25% royalty rate) ^(b)	\$ 321.6	\$ 290.0	\$ 259.4	\$ 236.9	\$ 203.0
Average number of subscribers (in thousands)	1,267.5	1,176.1	1,072.5	972.8	875.5
Average subscriber base growth (percentage)	7.8	9.7	10.2	11.1	9.8
Ending number of subscribers (in thousands)	1,301.6	1,223.9	1,124.9	1,018.8	921.4
Ending subscriber base growth (percentage) ^(c)	6.3	8.8	10.4	10.6	10.5
Disconnect rate (percentage) ^(d)	7.5	7.0	6.4	7.2	6.6

^(a) Monthly recurring revenue ("MRR"), a non-GAAP measure, is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber earned in the last month of the period for contractual monitoring and maintenance services as discussed under the caption "Key Performance Measures — Monthly Recurring Revenues."

^(b) EBITDA from recurring services, a non-GAAP measure, is normalized as if the royalty rate had been 1.25% of net revenues, instead of the royalty rate of approximately 7% of revenues charged by BCO before the Spin-off, for all periods presented. This measure is reconciled below in the "Reconciliation of Non-GAAP Measures" section.

Table of Contents

- (c) Calculated based on period ending subscribers.
- (d) Calculated as a ratio, the numerator of which is customer cancellations, on an annualized basis, and the denominator of which is the average number of customers during the period. Customer relocations, reactivations and dealer charge backs of contract cancellations are excluded from the calculation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONS

General

The following discussion, which presents the results of Brink's Home Security Holdings, Inc. and its consolidated subsidiaries, should be read in conjunction with the accompanying consolidated financial statements and notes thereto for the years ended December 31, 2008 and 2007, and each of the years in the three-year period ended December 31, 2008, along with the five-year financial summary and operating statistics presented in Part II, Item 6, "Selected Financial Data," the risk factors discussed in Part I, Item 1A, "Risk Factors," and the cautionary statement regarding forward-looking information on page 13.

As used in this Report, (a) references to "Holdings," "Company," "we," "us" and "our" refer to Brink's Home Security Holdings, Inc. and its consolidated subsidiaries, including Brink's Home Security, after the Spin-off, and (b) references to the "Company" on a historical basis, prior to the Spin-off, refer to Brink's Home Security and its consolidated subsidiaries, in each case unless the context requires otherwise.

This discussion is intended to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, how operating results affect our financial condition and results of our operations of the Company as a whole, as well as how certain accounting principles and estimates affect our financial statements. Unless otherwise indicated, all references to earnings per share (EPS) are on a diluted basis.

The Spin-off

The spin-off of Holdings by The Brink's Company ("BCO") was completed on October 31, 2008 through a distribution of 100% of the common stock of Holdings to the holders of record of BCO's common stock (the "Spin-off"). The Spin-off was pursuant to a Separation and Distribution Agreement by which BCO contributed to Holdings all of the assets and liabilities associated with the Brink's Home Security business. BCO distributed all shares of Holdings as a one-for-one stock dividend on BCO's common stock on October 31, 2008 to BCO's shareholders of record as of October 21, 2008.

In connection with the Spin-off, the following key transactions or events occurred:

- Our Registration Statement on Form 10 was declared effective by the U.S. Securities and Exchange Commission on October 8, 2008.
- BCO received a private letter ruling from the Internal Revenue Service and an opinion of counsel that the distribution of our common stock qualified as a tax-free distribution for U.S. Federal income tax purposes.
- On October 21, 2008, we entered into a \$75 million unsecured credit facility, with an option, under certain conditions, to increase it to \$125 million.
- BCO contributed \$50 million in cash to us on October 31, 2008 and all intercompany balances were forgiven.

Table of Contents

- BCO retained all assets and liabilities related to the qualified and non-qualified BCO defined benefit pension plans, and agreed to make all required payments under such plans to our current and former employees.
- BCO agreed to indemnify us for any and all liabilities and expenses related to BCO's former coal operations, including any health care coverage obligations. BCO also agreed to indemnify us for certain tax liabilities incurred prior to Spin-off.
- We entered into a Brand Licensing Agreement with a subsidiary of BCO. Under the agreement, we are entitled to use the Brink's brand name and logos for no more than three years. Under the agreement, our licensing fees decreased to 1.25% of net revenues from the approximate 7% historical rate, and provided for BCO to acquire the third party licensing agreements that had historically contributed royalty income to us.
- We entered into various agreements with BCO, including a Non-Competition and Non-Solicitation Agreement, pursuant to which BCO agreed not to compete with us in the United States, Canada and Puerto Rico with respect to certain specified activities for a period of five years from the Spin-off date.

On November 3, 2008, after completion of the Spin-off, our stock began trading "regular way" as an independent public company on the New York Stock Exchange under the symbol "CFL", reflecting our corporate mission of creating "Customers For Life".

Overview

We provide monitored security alarm services in North America for owner-occupied, single-family residences and, to a lesser extent, commercial properties. We typically install and own the on-site security alarm systems and charge fees to monitor and service the systems. We attribute our success to our focus on quality service, customer retention, and a disciplined approach to growth. We believe our business is a premium provider of services in the markets that we serve.

We have continued to grow over the past several years due to our ability to attract and retain customers by providing quality services while operating as efficiently as possible. Revenues are fairly predictable as substantially all monitoring service revenues are driven by three-year monitoring contracts that generally include automatic one-year renewal clauses. Over the past three years, recurring revenues have been approximately 90% of total revenues. Our primary customers are residents of single-family homes, which comprise approximately 93% of our subscriber base. We have limited exposure to new home construction with 6% of new subscribers in 2008 being generated from our Brink's Home Technology ("BHT") division, which partners with selected major homebuilders in the United States. Our small but growing presence in the commercial market includes more than 65,000 business customers, about 5% of our total subscriber base. The remaining 2% of subscribers reside in multi-family sites.

The business environment in which we operate can change quickly. We must quickly adapt to changes in the competitive landscape and local market conditions. To be successful, we must be able to balance, on a market-by-market basis, the effects of changing demand on the utilization of our resources. We operate on a centralized basis, but allow enough flexibility so local management can adjust operations to the particular circumstances of its market.

We measure financial performance on a long-term basis. We create value by focusing on yielding solid returns on capital, growing our revenues and earnings, and generating cash flows sufficient to fund our growth.

Factors Affecting Operating Results

We view our business as having two key activities: acquiring new customers and managing our existing customer base. We manage our business around these two activities, and many of our performance metrics are

Table of Contents

focused on one or both of these activities. We view success in our business as being dependent upon successfully balancing our efforts against both activities. We focus on investing wisely in subscriber growth that will generate positive future returns to shareholders, as well as on generating substantial current profit on the recurring services we provide to our existing customers.

We employ a consistent and disciplined economic decision-making framework to evaluate our existing customer acquisition channels and to prioritize growth opportunities based on the expected cash flows over the life of the customer relationship. This framework takes into account three key elements of cash flow: net customer acquisition cost, ongoing recurring customer cash flow and the annualized customer attrition or disconnect rate. In our evaluations of opportunities, we consider the full range of costs incurred in the customer relationship life cycle, including administrative costs and non-security capital expenditures not directly related to acquiring or servicing customers.

We have historically focused our marketing efforts on "direct response" advertising, projecting a range of advertising messages across multiple media channels to attract the attention of potential customers when they are in the "buying mode." Potential customers are receptive to initiating security alarm service generally as the result of a major change in personal circumstance, such as a household or business relocation, an increase in (or the perception of an increase in) local criminal activity, or a change in family size (such as the birth of a child or death of a spouse) or activity (such as increased travel by the head of household). Our marketing efforts are designed to direct potential customers into one of our customer acquisition channels, where we qualify the potential customers and attempt to sell them an appropriate level of service to meet their needs. In order to increase efficiency and effectiveness of our customer acquisition efforts, we focus on controlling initial marketing, sales and installation costs by matching sales representative staffing levels with the number of sales leads, and the size of the technician workforce with available installation volume. We monitor the net customer acquisition cost across our customer acquisition channels closely and control both the upfront cash installation investment (all costs, regardless of whether expensed, capitalized, or deferred) and the net investment in new subscribers expensed as a period cost, offsetting a significant portion of our profit from recurring services in arriving at our operating profit in any given period.

Under our standard Protective Service Agreement with residential customers, the customer pays the initial installation fees and is then obligated to make monthly payments throughout the contract term. The standard term for our Protective Service Agreement is three years, which automatically renews for additional one year periods unless cancelled by either party, except in six states where state law requires the renewal period to be month-to-month. If a customer cancels the contract prior to the end of the contract term, or is otherwise in default, we have the right under the contract to receive from the customer an amount equal to all remaining monthly payments.

The customer acquisition process in our BHT operations differ from our traditional customer acquisition model. Working directly with major national, regional, and local home builders, BHT markets and installs residential security systems, as well as a variety of low-voltage security, home networking, communications and entertainment options, into homes under construction. BHT currently does business with eight of the top ten residential home builders in the United States. The BHT activation process consists of three phases: the "pre-wire" phase of early construction wiring for security systems, and potential non-security low-voltage applications in certain markets; the "trim-out" phase when security system (and in some cases other low-voltage) components are installed in the house as it nears completion; and activation of monitored security service contracts with initial homeowners. In 2008, BHT accounted for approximately 6% of our new subscribers and conducted operations in 22 markets located across the United States.

Once we have acquired a customer, we then strive to keep customer service and monitoring costs as low as possible without detracting from being able to provide high quality service levels. As our cash break-even point is generally not reached until sometime during the fourth year of service, we focus strongly on providing consistent high quality service at all "customer touch points."

Table of Contents

We have reported strong growth in revenues and operating profit for many years due to our ability to attract and retain customers through brand reputation and quality service while operating as efficiently as possible consistent with the desired level of service. We believe customer retention is driven by our disciplined customer selection practices and our provision of high customer service levels. In order to obtain customers who are less likely to disconnect, we seek to attract customers with solid credit scores and the willingness to pay reasonable upfront fees. Once there is agreement to install a monitored alarm system, we provide a high quality installation followed by continuing high quality customer service and alarm monitoring. We believe our disconnect rate benefits from consistently following this strategy. We have retained many customers for fifteen years or more, and we still have customers who have been with us since we began operations more than 25 years ago.

We are subject to a certain level of seasonality in our operations. Since more household moves take place during the second and third quarters of each year, our disconnect rate and related non-cash expenses are typically higher in those quarters than in the first and fourth quarters. There is a slight seasonal effect on our new customer installation volume and related cash expenses incurred in investment in new subscribers; however, other factors, such as the level of marketing expense, can offset that effect of seasonality.

Trends, Risks and Uncertainties of Our Business

Rebranding. As a result of the Spin-off, we are required to develop and market a new brand. There is uncertainty in regards to the timing, the duration and the amount of expense to be incurred in the rebranding. We anticipate that an incremental investment that ranges from \$100 to \$150 million will be spread out over a 24 to 36 month period after the rebranding effort commences. These estimates are dependent on strategic marketing decisions that will be made during the development and rollout of the new brand.

As part of the rebranding effort, we will communicate with our customers regarding our conversion to a new brand name. There is some risk that our disconnect rate could increase as a result of rebranding.

Besides the cost of the rebranding effort, there is a risk that the new brand will not be able to attract prospective new customers as effectively as the Brink's brand has historically. This could reduce our installation growth rate compared to what we have experienced in our past, and lower installation volume could reduce the future growth rates in operating profit and net income. To counter the effects of lower marketing and sales effectiveness, we may have to advertise more in the future, which could also reduce our operating margins.

Market size and future. We believe, based on a report from IMS Research and United States Census Bureau statistics, that 17% to 22% of U.S. households currently have security systems. There is uncertainty as to what the ultimate penetration rate of security systems in U.S. households may be; however, we believe that there is still significant opportunity for growth in all geographic markets.

U.S. economy and home sales. Growth in the U.S. economy has slowed recently, and activity in the new and resale housing markets has been shrinking. Our new installation growth rate slowed during 2007, and our installations in 2008 were lower than in 2007. Our long-term revenue growth rate depends on installations exceeding our disconnects, and if the housing market downturn is prolonged, our revenues may not grow at the same rate as in the past. Our BHT activity in particular is dependent on new housing construction. Future new housing production is very difficult to predict given current disruption in the credit markets and overall economic conditions.

Technology. The majority of our security systems installed in customers' homes use traditional fixed-line telecommunications to transmit alarm signals to our monitoring centers. We believe that fixed-line telecommunications technology is the most reliable technology currently available for transmitting security system data. There is a growing trend in our market for customers to exclusively use cell-phone or internet communication technology in their homes. While we provide the capability for our customers to use these alternative communications technologies to transmit alarm signals, these services are currently not as reliable as traditional fixed-line telephone service. Communication reliability is important to our long-term business model.

Table of Contents

Competition. Our industry is competitive. We compete with a number of national, regional and local providers of security services. Our competitors may be able to take advantage of our rebranding transition to increase their market share, and potentially to attract some of our current customers to their service.

Key Performance Indicators and Cash Flow Measures

Key to our success is consistent subscriber growth coupled with a continuous focus on customer retention. It is important to minimize disconnects as costs associated with new installations are front loaded and it currently takes approximately four years to recover our initial cash investment. In addition to recurring revenues, our business model also has substantial recurring net operating cash flow generated from our ongoing customer base. These elements help soften the impact of negative trends in the macro-economic environment, although they do not eliminate overall economic risks. In evaluating our results, we review the following key performance indicators:

Key Performance Indicators

Monthly Recurring Revenue ("MRR") is a non-GAAP measure that is used to evaluate performance. MRR measures the amount of recurring revenues from subscriber fees, and is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber received in the last month of the period for contracted monitoring and maintenance services. On page 30, MRR is described in greater detail and is accompanied by a reconciliation of MRR to revenue, its closest GAAP counterpart.

Subscriber Growth — The steady growth of our subscriber base is crucial to drive MRR expansion as well as to leverage costs of operations. Despite a challenging housing market and overall economic conditions, our subscriber base has grown from 1.1 million in 2006 to over 1.3 million at the end of 2008, as presented in the table on page 29. Subscriber growth was attained across most sales channels with the exception of multi-family housing; however, growth was most notable in the dealer acquisition channel which attained over 20% growth in its subscriber base in 2008.

Customer Retention — The strength of our economic model is highly dependent on customer retention. We believe our disconnect rate is the lowest among the major home and commercial security service companies. Success in retaining customers is driven in part by our discipline in accepting new customers with generally stronger credit backgrounds, and by providing high quality equipment, installation, monitoring, and customer service. Additionally, in order to enhance customer service and customer loyalty, system control panels and keypads are designed to be user-friendly and to minimize false alarms. We believe that the reductions achieved in our annual disconnect rate from 2000 to 2006 have strengthened our economic returns. We are, however, subject to the economic slowdown and expect our disconnect rate in the near term to continue at an elevated rate relative to our historical disconnect performance.

The disconnect rate is a ratio, the numerator of which is the number of customer cancellations during the period and the denominator of which is the average number of customers during the period. The gross number of customer cancellations is reduced for customers who move from one location and then initiate a new monitoring agreement at a new location, accounts charged back to dealers because the customers cancelled service during the specified contractual term, and inactive sites that are returned to active service during the period. The annual customer disconnect rate was 7.5% in 2008 as compared to 7.0% in 2007, and has ranged from 6.4% to 7.5% over the last three years. We believe the increase in the disconnect rate was primarily the result of increased customer-requested cancellations for financial and other personal reasons. We have experienced a slight increase in disconnects resulting from account write-offs in recent months; however, it was not a significant driver of the increase in the disconnect rate in 2008.

The primary source of customer disconnects stems from household moves, followed by disconnects due to customer initiated cancellations and account write-offs. Another factor that can impact the disconnect rate is cancellation of multi-family contracts, as they can contain numerous individual monitored sites.

Table of Contents

While we continue to service existing multi-family contracts, which represent approximately 2% of the year-end 2008 subscriber base, we are no longer actively pursuing installation growth in multi-family housing units. Multi-family cancellations as a percent of the customer base were flat in 2008 as compared to 2007; however, for any given period, these cancellations can from time to time significantly impact the disconnect rate. Multi-family contract cancellation disconnects, however, do not generally affect net profit in a significant way, as all capitalized costs are depreciated during the initial contract term, and the average MRR lost per site is very low.

Profit from Recurring Services — Profit from recurring services reflects the monthly monitoring and service fees generated from the existing subscriber base, including the amortization of deferred revenues, net of all general and administrative expenses, including royalty expense. Non-cash impairment charges resulting from subscriber contract cancellations and depreciation and amortization expenses, including the amortization of deferred subscriber acquisition costs, are also charged to recurring services. Operating profits from recurring services are affected by the size of the subscriber base, the amount of operational costs, depreciation, the level of subscriber cancellations and changes in the average monthly monitoring fee per subscriber. Profit from recurring services is considered to be an important non-GAAP component of our operating profit. This component of operating profit allows investors and others to understand operating income from security systems that have been installed. Operating profit is the net result of profit from recurring services minus the current period expense of the investment in new subscribers. See the “Results of Operations” section for the reconciliation of profit from recurring services to its closest GAAP counterpart, operating profit.

Investment in New Subscribers — Investment in new subscribers is the net expense incurred to add to the subscriber base every year, which is primarily marketing and selling expenses, after capitalization of the security system assets and deferral of subscriber installation fees and subscriber acquisition costs. The amount of the investment in new subscribers charged to income may be influenced by several factors, including the growth rate of new subscriber installations and the level of costs incurred to attract new subscribers, which can vary depending on the customer acquisition channel. As a result, increases in the rate of investment (the addition of new subscribers) may have a negative effect on current operating profit but a positive impact on long-term operating profit, cash flow and economic value. Investment in new subscribers is considered to be an important non-GAAP component of our operating profit. This component of operating profit allows investors and others to understand the amount of net expenses associated with the installation of new subscribers. See the “Results of Operations” section for the reconciliation of investment in new subscribers to its closest GAAP counterpart, operating profit.

Key Cash Flow Measure

EBITDA from Recurring Services — EBITDA from recurring services is a non-GAAP measure that we use to convey profits generated from the subscriber base adjusted for certain non-cash items including asset impairment charges, depreciation of fixed assets and amortization of deferred charges, and amortization of deferred revenue. We believe EBITDA from recurring services is useful to provide investors information about adjusted profits and cash flows generated from the existing customer base that are available to reinvest in the business or distribute to shareholders. In deriving this non-GAAP measure, we adjusted EBITDA from recurring services to reflect the go-forward 1.25% royalty rate for all years presented. Historically, we paid our former parent company a royalty of 7% on revenues in the United States and 3% on revenues in Canada. On November 1, 2008, the royalty rate changed to 1.25% of net revenues and will continue to be calculated on that basis until the earlier of October 31, 2011, or when we cease using the name Brink's in our brand name. In deriving this non-GAAP financial measure, the historical royalty rate was re-calculated using a rate of 1.25%. See the “Results of Operations” section for the reconciliation of EBITDA from recurring services to its closest GAAP counterpart, operating profit.

Table of Contents**RESULTS OF OPERATIONS****2008 Operating Performance Highlights**

- We have continued to achieve consistent revenue growth, despite the continued softness in the housing market and overall economic environment. Revenue growth was approximately 10% in both 2008 and 2007, and 12% in 2006.
- Our subscriber base continued to grow and was 6.3% higher at the end of 2008 compared to the end of 2007, with over 1.3 million subscribers.
- Monthly Recurring Revenue increased 8.9% to approximately \$40.5 million at December 31, 2008.
- Operating profit increased to \$94.0 million, or approximately 17.7% of revenues, for 2008, compared to \$73.0 million, or 15.1% of revenues, in 2007, and \$63.2 million, or 14.4% of revenues, in 2006.

Summary of Operating Results and Key Performance and Cash Flow Measures

(\$ in millions, except EPS, disconnect rate, and subscriber growth rate)

	2008	2007	2006
Operating Results			
Revenues	\$ 532.3	\$ 484.4	\$ 439.0
Costs and Expenses:			
Cost of revenues	287.0	271.9	259.1
Selling, general and administrative expenses	150.9	144.3	118.1
Total costs and expenses	437.9	416.2	377.2
Other operating (expense)/ income, net	(0.4)	4.8	1.4
Operating profit	94.0	73.0	63.2
Interest expense	0.6	1.0	1.4
Income before income taxes	93.4	72.0	61.8
Income tax expense	36.3	27.8	25.5
Net Income	\$ 57.1	\$ 44.2	\$ 36.3
Pro forma diluted EPS	\$ 1.25	\$ 0.96	\$ 0.79
Pro forma average shares assuming dilution ⁽¹⁾	45.8	45.9	45.9
Key Performance and Cash Flow Measures			
Monthly recurring revenue ⁽²⁾	\$ 40.5	\$ 37.2	\$ 33.1
Profit from recurring services ⁽³⁾	195.3	168.9	151.2
Investment in new subscribers ⁽⁴⁾	(101.3)	(95.9)	(88.0)
Operating profit	\$ 94.0	\$ 73.0	\$ 63.2
Depreciation and amortization	\$ 85.3	\$ 77.7	\$ 67.6
Impairment charge from subscriber disconnect	56.5	50.4	47.1
Amortization of deferred revenue ⁽⁵⁾	(40.5)	(34.2)	(31.2)
Deferral of subscriber acquisition costs (current year payments) ⁽⁶⁾	(23.1)	(23.8)	(24.4)
Deferral of revenue from new subscribers (current year receipts)	44.3	47.4	44.9
Capital expenditures:			
Security systems	\$ (168.4)	\$ (165.2)	\$ (150.1)
Other	(9.4)	(12.6)	(13.8)
Total capital expenditures	\$ (177.8)	\$ (177.8)	\$ (163.9)
EBITDA from recurring services (normalized for 1.25% royalty rate) ⁽⁷⁾	\$ 321.6	\$ 290.0	\$ 259.4
Ending subscriber base growth (percentage) ⁽⁸⁾	6.3	8.8	10.4
Average number of subscribers (in thousands)	1,267.5	1,176.1	1,072.5
Average subscriber growth rate (percentage)	7.8	9.7	10.2
Disconnect rate (percentage) ⁽⁹⁾	7.5	7.0	6.4

Table of Contents

- (1) For 2008, diluted earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the two month period ending December 31, 2008 plus the dilutive effect of actual stock options, restricted stock units, and other equity-based awards outstanding as of December 31, 2008. Diluted earnings per share for the years ended December 31, 2007 and 2006 were computed on a pro forma basis using the average number of shares of the Company's common stock outstanding from October 31, 2008 to December 31, 2008. The number of diluted shares used in the calculation for 2007 and 2006 is based on the number of shares of the Company's common stock outstanding plus the estimated potential dilution that could have occurred if options granted under the Company's equity-based compensation arrangements were exercised or converted into the Company's common stock on September 15, 2008.
- (2) Monthly recurring revenue (MRR), a non-GAAP measure, is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber earned in the last month of the period for contractual monitoring and maintenance services. This measure is reconciled below under the caption "Key Performance Measures — Monthly Recurring Revenues."
- (3) Profit from recurring services, a non-GAAP measure reflects operating profit generated from the existing subscriber base including the amortization of deferred revenues, as discussed under the caption "Key Performance Measures — Profit from Recurring Services." This measure is reconciled below in the "Reconciliation of Non-GAAP Measures" section.
- (4) Investment in new subscribers, a non-GAAP measure, is net expense (primarily marketing and selling expenses) incurred to add new subscribers to the subscriber base as discussed under the caption "Key Performance Measures — Investment in New Subscribers." This measure is reconciled below in the "Reconciliation of Non-GAAP Measures" section.
- (5) Includes amortization of deferred revenue related to active subscriber accounts as well as recognition of deferred revenue related to subscriber accounts that disconnect.
- (6) Includes cash payments for incremental sales compensation, fringe benefits, and related costs that are directly attributable to successful customer acquisition efforts and that are deferred and recognized over the expected life of the customer relationship.
- (7) EBITDA from recurring services, a non-GAAP measure, is normalized as if the royalty rate had been approximately 1.25% of net revenue for all periods presented. The royalty rate will remain at 1.25% of net revenue until the earlier of when we cease to use the Brink's name or the expiration of the license agreement on October 31, 2011. This measure is reconciled below in the "Reconciliation of Non-GAAP Measures" section.
- (8) Calculated based on period ending subscribers.
- (9) Calculated as a ratio, the numerator of which is customer cancellations, on an annualized basis, and the denominator of which is the average number of customers during the period. Customer relocations, reactivations and dealer charge backs of contract cancellations are excluded from the calculation.

2008 Compared to 2007

Revenues increased \$47.9 million or 9.9% to \$532.3 million in 2008 from \$484.4 million in 2007. The increase was primarily due to 7.8% growth in the average subscriber base and 3% higher average monitoring rates, partially offset by an 18% decline in BHT pre-wire and trim-out revenues. The larger subscriber base and higher average monitoring and service rates also contributed to an 8.9% increase in MRR for 2008 as compared to 2007.

Cost of revenues increased by \$15.1 million or 5.6% to \$287.0 million in 2008 from \$271.9 million in 2007, which was due primarily to the growth in the subscriber base partially offset by the decline in the royalty rate from approximately 7% of revenues to 1.25% of net revenues beginning November 1, 2008. This decrease in the royalty rate reduced cost of revenues by \$5.1 million. Cost of revenues were 53.9% of revenues in 2008 compared to 56.1% in 2007. Had the royalty rate been 1.25% of net revenues for both years, cost of revenues would have been \$262.0 million in 2008 as compared to \$244.8 million in 2007, an increase of 7.0%. Cost of revenues as adjusted for royalty expense of 1.25% of net revenues for both years would have been 49.2% in 2008 as compared to 50.5% in 2007. Refer to "Operating Results Adjusted for Change in Royalty Rate" section for further analysis on the impact of the change in royalty rate on cost of revenues.

Table of Contents

Selling, general and administrative expenses increased by \$6.6 million or 4.6% to \$150.9 million in 2008 from \$144.3 million in 2007. The increase was primarily due to increased spending in several functional areas, as we continued to invest in our capabilities to service commercial customers. In addition, automobile reimbursement costs increased for sales employees during 2008 as compared to 2007, and administrative costs increased as we entered into our credit facility, and staffed corporate functions required as a result of the Spin-off. These increases were partially offset by a decrease of \$3.9 million in BCO allocated overhead costs prior to the Spin-off in 2008 as compared to 2007. Selling, general and administrative expenses were 28.3% of revenues in 2008 compared to 29.8% in 2007.

Other operating (expense)/ income, net, was \$(0.4) million in 2008 compared to \$4.8 million in 2007. The net expense in 2008 was due to a \$1.9 million foreign exchange loss related to the movement in exchange rate between the Canadian Dollar and the U.S. Dollar during the year. In 2007, we recognized a \$2.3 million gain on the settlement of property damage and business interruption insurance claims related to Hurricane Katrina. Sublicense royalty income was \$1.5 million in 2008 as compared to \$1.4 million in 2007. Sublicense royalty agreements were transferred to BCO at Spin-off and thus no longer provide royalty income to the Company.

Operating profit increased \$21.0 million or 28.8% to \$94.0 million in 2008 compared to \$73.0 million in 2007, driven primarily by higher profits from recurring services on our larger subscriber base and a decrease in the royalty rate from approximately 7% of revenues before the Spin-off to 1.25% of net revenues after the Spin-off. Had the royalty rate been 1.25% of net revenue for both years, operating profit would have been \$119.0 million in 2008 as compared to \$100.2 million in 2007, an increase of 18.8%. Refer to "Operating Results Adjusted for Change in Royalty Rate" section for further analysis on the impact of the change in royalty rate on operating profit.

Interest expense was \$0.6 million in 2008, down from \$1.0 million in 2007, as our payable to related parties was lower.

Provision for income taxes increased by \$8.6 million to \$36.3 million in 2008 compared to \$27.8 million in 2007 due to growth in income before income taxes.

For 2008, we reported net income of \$57.1 million, or \$1.25 per share, compared to \$44.2 million, or \$0.96 per pro forma share, for 2007. As previously discussed, the 2008 results benefited from a decrease in the royalty rate charged by BCO from approximately 7% of revenues to 1.25% of net revenues beginning November 1, 2008. Refer to "Operating Results Adjusted for Change in Royalty Rate" section for further analysis on the impact of the change in royalty rate on net income.

While housing and overall market conditions are expected to remain challenging throughout 2009, we believe that various operational initiatives are in place to continue to build our commercial and residential alarm installation and monitoring business. Overall, we expect to continue to deliver growth in subscriber count, revenues and operating profit in 2009.

We believe that operating profit in 2009 will be affected by higher marketing cost for the branding effort, the initial phase of which is underway. We expect to incur less than \$4 million in brand development costs during the first two quarters of 2009, and to begin the initial rollout of the new brand in the third quarter of 2009. Total incremental new brand development and rollout costs during 2009 are expected to be approximately \$25 million. Total incremental costs of the branding effort across a 24-month to 36-month period continue to be estimated to range from \$100 million to \$150 million on a pre-tax basis. We currently expect the incremental branding costs to be funded from existing cash balances and future cash flows from operations. See the "Liquidity and Capital Resources" section for further discussion.

Monthly Recurring Revenue: MRR increased \$3.3 million or 8.9% from 2008 to 2007 primarily as the result of the increase in the size of the subscriber base and the increase in recurring revenue per subscriber. The

Table of Contents

increase in MRR per subscriber is the result of adding new subscribers at higher monthly recurring rates, increasing prices charged to selected portions of the existing subscriber base, and providing additional services to both new and existing subscribers.

Subscriber Growth Rate: As of December 31, 2008, the number of ending subscribers grew 77,700 or 6.3% compared to 8.8% growth in 2007. Subscriber growth is driven by installations partially offset by subscriber disconnects. During 2008, installations slowed and disconnects increased. Installations grew across most sales acquisition channels, with the exception of multi-family and BHT. The subscriber base grew during the year due to the number of installations (173,100 in 2008) continuing to exceed the number of net disconnects (95,400 in 2008). We expect that installations will exceed disconnects during 2009, leading to continued subscriber growth.

Disconnect Rate: The annualized disconnect rate for 2008 increased to 7.5%, up from 7.0% in 2007. The increase in the disconnect rate was primarily due to an increase in customer-requested cancellations, with the most significant increase in customers indicating cancellations were for financial reasons. Household moves continue to be a major driver of disconnects, but net cancellations due to moves were down slightly as a percent of the subscriber base in 2008 as compared to 2007. Disconnects resulting from account write-offs were flat year over year. Multi-family disconnects are not expected to significantly increase in 2009, although there could be significant swings quarter by quarter. We continue to manage the disconnect rate by closely monitoring and adhering to established subscriber selection and retention processes. The disconnect rate may continue to increase in the near future due to factors beyond our control, including ongoing weakness in the housing market and the economy as a whole. We do not expect an increase will prevent overall growth in the subscriber base during 2009.

EBITDA from Recurring Services: This measure increased by 10.9% to \$321.6 million in 2008 as compared to \$290.0 million in 2007. The increase is primarily the result of the increase in the size of the subscriber base and the increase in recurring revenue per subscriber.

2007 Compared to 2006

Revenues increased \$45.4 million, or 10.3%, to \$484.4 million in 2007 from \$439.0 million in 2006. This was primarily due to the larger subscriber base and higher average monitoring rates, partially offset by a decline in BHT pre-wire and trim-out revenues. The larger subscriber base and higher monitoring rates also contributed to a 12.4% increase in MRR to \$37.2 million at December 31, 2007 as compared to \$33.1 million at December 31, 2006. As a result of the slowdown in the new housing market, BHT pre-wire activity for homebuilders was down more than 32% in 2007 compared to 2006, and monitored activations of security systems in newly completed homes decreased 17%.

Cost of revenues increased \$12.8 million, or 4.9%, to \$271.9 million in 2007 compared to \$259.1 million in 2006. This was due to the growth in our subscriber base, which led to higher royalty payments made to BCO and growth in other operating costs. These were offset by reductions in BHT cost of revenues due to lower activity levels in our BHT channel.

Selling, general and administrative expenses increased by \$26.2 million, or 22.2%, to \$144.3 million in 2007 compared to \$118.1 million in 2006. This increase was due in large part to a \$10.3 million increase in marketing and related sales costs, as we expanded the size of our commercial sales force and increased our direct-response advertising and other marketing costs in an effort to drive volume in our residential and commercial operations. In addition, general and administrative expenses increased primarily due to increases to our bad debt reserve, and higher legal costs sustained during the year. Selling, general and administrative expenses were 29.8% of revenue in 2007 compared to 26.9% in 2006.

Other operating income increased by \$3.4 million to \$4.8 million in 2007 compared to \$1.4 million in 2006 primarily due to \$2.3 million of insurance settlement gains for final settlement of property damage and business

Table of Contents

interruption insurance claims related to Hurricane Katrina. Additionally, we recorded foreign currency transaction gains of \$0.9 million in 2007 compared to a loss of \$0.1 million in 2006.

Operating profit increased \$9.8 million, or 15.5%, to \$73.0 million in 2007 compared to \$63.2 million in 2006 due to higher profit from recurring services, which was only partially offset by the increased cost of investment in new subscribers. Higher profit from recurring services in 2007 was primarily due to increased monitoring and service revenues and cost efficiencies generated from our larger subscriber base. Higher investment in new subscribers was primarily due to increased installation volume and higher marketing expenses incurred in traditional branch operations, partially offset by lower expenses, net of revenues, in BHT. The growth of investment in new subscribers in 2007 compared to 2006 was greater than in the prior year comparison primarily as a result of increased advertising.

Interest expense was \$1.0 million in 2007, down slightly from \$1.4 million in 2006, as our payable to related parties was lower.

Provision for income taxes increased by \$2.3 million to \$27.8 million in 2007 compared to \$25.5 million in 2006 due to growth in income before income taxes, partially offset by a reduction in state taxes.

For 2007, we reported net income of \$44.2 million, or \$0.96 pro forma per share, compared to \$36.3 million, or \$0.79 pro forma per share, for 2007. The change is a result from an increase in revenue generated by the growth in our subscriber base of 8.8%

Monthly Recurring Revenue: From 2006 to 2007, MRR increased \$4.1 million or 12.4% year over year, which was driven by the increase in our subscriber base and increased prices charged to portions of the existing customer base.

Subscriber Growth Rate: Ending subscribers grew 99,000 or 8.8% from 2006 to 2007. Additions to the subscriber base from installations were 180,800 in 2007, primarily the result of increased traditional branch installation volume as well as increased installations through the growing dealer network. Installation growth was negatively impacted by the sluggish real estate activity in the U.S. installations were partially offset by 81,800 disconnects.

Disconnect Rate: The annualized disconnect rate for 2007 increased to 7.0% compared to 6.4% in 2006. The increase in the disconnect rate in 2007 over 2006 primarily resulted from expiring multi-family housing agreements (0.4 percentage points of the 2007 disconnect rate) and technical adjustments during quarterly reconciliations (approximately 0.2 percentage points of the 2007 disconnect rate).

EBITDA from Recurring Services: This measure increased by 11.8% to \$290.0 million in 2007 as compared to \$259.4 million in 2006. The increase was primarily the result of the increase in the size of the subscriber base and the increase in recurring revenue per subscriber.

Table of Contents**Operating Results Adjusted for Change in Royalty Rate**

Our results of operations include a royalty expense that is charged to us by BCO for use of the Brink's brand name. The rate utilized for fiscal 2006 and 2007 was approximately 7% of revenues in the United States and 3% of revenues outside of the United States. Similarly, for the fiscal year 2008, the months January through October also utilized the 7% rate in the United States and 3% outside of the United States. However, for the months of November and December 2008, the rate used was 1.25% of net revenue for both within and outside the United States. The table below adjusts actual operating results by the lower royalty rate of 1.25% for 2008, 2007, and 2006.

(in millions, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
GAAP Operating Profit	\$ 94.0	\$ 73.0	\$ 63.2
Add: Adjustment to normalize royalty rate	25.0	27.2	24.7
Non-GAAP Operating Profit	\$119.0	\$100.2	\$ 87.9
GAAP Net Income	\$ 57.1	\$ 44.2	\$ 36.3
Add: Adjustment to normalize royalty rate	25.0	27.2	24.7
Less: Tax effects of adjustment	(9.7)	(10.5)	(10.3)
Non-GAAP Net Income	\$ 72.4	\$ 60.9	\$ 50.7
GAAP pro forma earnings per share — diluted	\$ 1.25	\$ 0.96	\$ 0.79
Add: Adjustment to normalize royalty rate	0.54	0.60	0.53
Less: Tax effects of adjustment	(0.21)	(0.23)	(0.22)
Non-GAAP earnings per share — diluted	\$ 1.58	\$ 1.33	\$ 1.10

Subscriber Activity

(Subscriber data in thousands)

	Years Ended December 31,			% change	
	2008	2007	2006	2008	2007
Number of subscribers:					
Beginning of period	1,223.9	1,124.9	1,018.8		
Installations ^(a)	173.1	180.8	175.0	(4.3)	3.3
Disconnects ^(a)	(95.4)	(81.8)	(68.9)	16.6	18.7
End of period ^(b)	1,301.6	1,223.9	1,124.9	6.3	8.8
Average number of subscribers	1,267.5	1,176.1	1,072.5	7.8	9.7
Disconnect rate ^(c)	7.5%	7.0%	6.4%		
Annualized rate excluding multi-family disconnects ^(d)	7.1%	6.6%	6.4%		

(a) Customers who move from one location and then initiate a new monitoring agreement at a new location, which totaled 22,800, 26,400, and 27,600 for 2008, 2007, and 2006, respectively, are not included in either installations or disconnects. Dealer accounts cancelled and charged back to the dealer during the specified contract term are also excluded from installations and disconnects. Inactive sites that are returned to service reduce disconnects.

(b) The total number of subscribers at December 31, 2008, includes approximately 65,400 commercial customers. We consider expansion of our commercial customer base a significant growth opportunity.

(c) The disconnect rate is a ratio, the numerator of which is the number of customer cancellations during the period and the denominator of which is the average number of customers during the period. The gross number of customer cancellations is reduced for customers who move from one location and then initiate a new monitoring agreement at a new location, accounts charged back to the dealers because the customers

Table of Contents

cancelled service during the specified contractual term, and inactive sites that are returned to active service during the period.

- (d) Multi-family disconnects do not have a material impact on the income statement and such sites generate substantially lower MRR per site.

Reconciliation of Non-GAAP Measures

Monthly Recurring Revenues

Monthly recurring revenue, or MRR, is a non-GAAP measure, used to evaluate performance. We believe the presentation of MRR is useful to investors because the measure is widely used in the industry to assess the amount of recurring revenues from subscriber, monitoring, and other service fees. This supplemental non-GAAP information should be reviewed in conjunction with our historical consolidated statements of income.

The table below reconciles monthly recurring revenues, a non-GAAP measure, to revenues, its closest GAAP counterpart.

	Years Ended December 31,		
	2008	2007	2006
(In millions)			
Monthly recurring revenues ("MRR") (a)	\$ 40.5	\$ 37.2	\$ 33.1
Amounts excluded from MRR:			
Amortization of deferred revenue	3.6	2.8	2.5
Other revenues (b)	1.4	1.6	2.1
Revenues on a GAAP basis:			
December	45.5	41.6	37.7
January — November	486.8	442.8	401.3
January — December	<u>\$532.3</u>	<u>\$484.4</u>	<u>\$439.0</u>

- (a) MRR is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber received in the last month of the period for contracted monitoring and maintenance services.
- (b) Other revenues are not pursuant to monthly contractual billings, including but not limited to revenue from commercial product sales, on-call service revenue, and pre-wire and trim-out revenue from BHT operations. Other revenues also include terminated contract penalty billings for breached contracts, pass-through revenue (alarm permit fees, false alarm fines, etc.), and partial month revenues recognized from customers who disconnected during the last month of the period and are therefore not included in MRR. This amount is reduced for adjustments recorded against revenue (primarily customer goodwill credits and other billing adjustments), and for the amount included in MRR for new customers added during the last month of the period for those portions of the month for which revenues were not recognized for such customers.

Profit from Recurring Services and Investment in New Subscribers

Profit from recurring services and investment in new subscribers are non-GAAP measures, used to evaluate performance. We believe the presentation of these measures is useful to investors as they reflect the ongoing profit generated from the subscriber base and the net expenses incurred to acquire new subscribers. This supplemental non-GAAP information should be reviewed in conjunction with our historical consolidated statements of income.

Table of Contents

The following table reconciles profit from recurring services and investment in new subscribers to operating profit, their closest GAAP counterpart.

	Years Ended December 31,			% change	
	2008	2007	2006	2008	2007
(In millions)					
Profit from recurring services ^(a)	\$ 195.3	168.9	151.2	15.6	11.7
Investment in new subscribers ^(b)	(101.3)	(95.9)	(88.0)	5.6	9.0
Operating profit	<u>\$ 94.0</u>	<u>73.0</u>	<u>63.2</u>	<u>28.8</u>	<u>15.5</u>

(a) Reflects operating profit generated from the existing subscriber base including the amortization of deferred revenues.

(b) Primarily marketing and selling expenses, net of the deferral of subscriber acquisition costs (primarily a portion of sales commissions and related costs) incurred in the acquisition of new subscribers. Also includes operating expenses of the BHT division.

EBITDA from Recurring Services

EBITDA from recurring services is a measure used to monitor our cash flow performance. We believe the presentation of this measure is useful to investors as it provides a reasonable representation of the Company's ability to generate cash from our established subscriber base. This supplemental non-GAAP information should be reviewed in conjunction with our historical consolidated statements of cash flows.

The table below reconciles EBITDA from recurring services, for 2008, 2007, and 2006 to operating profit, its closest GAAP counterpart.

	Years Ended December 31,		
	2008	2007	2006
(In millions)			
EBITDA from recurring services	\$ 321.6	\$290.0	\$259.4
Less: Adjustment to normalize royalty rate ^(a)	(25.0)	(27.2)	(24.7)
Less: Depreciation and amortization	(85.3)	(77.7)	(67.6)
Less: Impairment charges from subscriber disconnects	(56.5)	(50.4)	(47.1)
Plus: Amortization of deferred revenue	40.5	34.2	31.2
Profit from recurring services	195.3	168.9	151.2
Less: Investment in new subscribers	(101.3)	(95.9)	(88.0)
Operating profit	<u>\$ 94.0</u>	<u>\$ 73.0</u>	<u>\$ 63.2</u>

(a) Our results of operations include a royalty expense that was charged to us by our former parent company for use of the Brink's brand name. The rate utilized for fiscal 2006 and 2007 was 7% of revenues in the United States and 3% of revenues outside of the United States. Similarly, for the fiscal year 2008 the months January through October also utilize the 7% rate in the United States and 3% outside of the United States. However, for the months of November and December 2008, the rate used was approximately 1.25% of net revenue for both within and outside the United States. For comparison purposes, the current royalty rate of 1.25% was used for all periods presented.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Cash flows from operations include cash received from monthly recurring revenue and upfront installation fees received from customers, less cash costs to monitor subscribers and certain costs, principally marketing and

Table of Contents

selling costs, associated with new customer installations. Cash used in investing activities is primarily spent on capital expenditures consisting of equipment, labor and overhead costs incurred to install security systems for new subscribers as well as costs to purchase new sites from dealers. Prior to the Spin-off, cash flows from financing activities were primarily related to distributions from, and contributions to, BCO. See Note 2 to the consolidated financial statements for a discussion of our ongoing relationship with BCO after the Spin-off.

Summary Cash Flow Information

The following table shows selected information from our statement of cash flows for the periods presented.

(In millions)	Years Ended December 31,		
	2008	2007	2006
Cash flows from:			
Operating activities	\$ 224.0	\$ 183.7	\$ 155.9
Investing activities	(177.8)	(175.8)	(163.9)
Cash flows available for financing activities	\$ 46.2	\$ 7.9	\$ (8.0)
Financing activities	\$ 14.2	\$ (7.3)	\$ 7.2

2008 Compared to 2007

Cash Flow from Operating Activities

Operating cash flow increased by \$40.3 million to \$224.0 million in 2008 compared to \$183.7 million in 2007 primarily due to the positive effects of a larger subscriber base, lower installation volume, and a reduction in the royalty rate. Growing the subscriber base requires significant upfront cash investment, consisting primarily of direct materials and labor to install the security systems, direct sales costs, and indirect costs associated with installation activities. Decreases in security system installations result in increased operating cash flow. New security system installations declined by 4.3% from approximately 180,800 in 2007 to approximately 173,100 in 2008. Additionally, operating cash flow increased due to an increase in deferred income taxes resulting from electing bonus depreciation for federal tax purposes for certain types of capital assets placed in service during the year.

Cash Flow from Investing Activities

Investing cash outflows increased by \$2.0 million to \$177.8 million in 2008 compared to 2007. Gross capital expenditure spending was the same in both years; however, in 2007, we received \$2.0 million in insurance proceeds that reduced investing cash outflows. Capital expenditures are primarily for equipment, labor and overhead costs incurred to install security systems for new subscribers, as well as costs to purchase new sites from dealers. New customer sites added to the subscriber base before the effect of disconnects were approximately 173,100 as compared to 180,800 sites in 2007. The average capital expenditure per new customer site increased by \$59 to \$973 in 2008 as compared to \$913 in 2007.

Cash Flow from Financing Activities

Cash flows from financing activities increased \$21.5 million to \$14.2 million in 2008 from \$(7.3) million in 2007. Prior to the Spin-off, cash flows from financing activities consisted primarily of contributions to and distributions from BCO resulting from operating and investing activities. As of October 31, 2008, BCO contributed \$50 million cash to us as a condition of the Spin-off. In 2008, before the Spin-off, we distributed \$32.2 million in cash to BCO generated from positive cash flows before financing.

Table of Contents

2007 Compared to 2006

Cash Flow from Operating Activities

Operating cash flow increased by \$27.8 million to \$183.7 million in 2007 compared to \$155.9 million in 2006 primarily due to higher operating profit partially offset by higher working capital usage.

Cash Flow from Investing Activities

Investing cash outflows increased by \$11.9 million to \$175.8 million in 2007 compared to \$163.9 million in 2006, primarily as the result of higher capital expenditures due to the addition of more new subscribers than in the prior year, partially offset by \$2.3 million of insurance proceeds in 2007 from the final settlement of insurance claims related to Hurricane Katrina.

Cash Flow from Financing Activities

Financing cash flows used \$7.3 million of cash in 2007 due to payments to BCO as a result of our positive cash flows before financing activities. Financing cash flows provided \$7.2 million of cash in 2006 as a result of cash received from BCO to fund the shortfall of operating activities net of investing activities.

Debt Obligations

In connection with the Spin-off, we have entered into a credit agreement that provides for a \$75 million unsecured revolving credit facility provided by a bank group led by JPMorgan Chase Bank, N.A (the "Credit Facility"). A portion of the Credit Facility, up to \$15 million, may be used to issue letters of credit. Additionally, the facility has an expansion feature providing an option to increase the commitment by up to \$50 million, under certain conditions. We intend to use the proceeds of the Credit Facility, as necessary, to support our working capital needs, the growth of the business, and for other general corporate purposes. For the year ended December 31, 2008, no borrowings have been made under the Credit Facility, but we have used the Credit Facility to issue letters of credit totaling \$2.7 million.

The Credit Facility requires us to satisfy two customary affirmative and negative covenants: a leverage ratio and fixed charge coverage ratio. As of December 31, 2008, we have a leverage ratio of 0.01 to 1.0, which was in compliance with the Credit Facility's requirement of no more than 2.50 to 1.00. The fixed charge coverage ratio for December 31, 2008 was 13.4 to 1.0 which was also in compliance with the Credit Facility's requirement of at least 2.0 to 1.0. See Note 14 to our consolidated financial statements for further information regarding the Credit Facility.

Liquidity

We believe our cash flows from operations will be sufficient to satisfy future working capital, capital expenditures, and financing requirements for the foreseeable future. Our ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described elsewhere in this Annual Report on Form 10-K. If we are unable to generate sufficient cash flows from operations, we may be required to seek other financing alternatives. Based upon the balance of cash and cash equivalents of \$63.6 million at December 31, 2008, the availability of \$72.3 million of our \$75 million in the Credit Facility, no long term debt, and our strong balance sheet, we believe we have sufficient liquidity to execute our plans for subscriber growth and to fund the introduction of the new brand in the third quarter of 2009. Additionally, in February 2009, the U.S. Congress passed and the President signed a stimulus package that contained a provision for bonus depreciation for federal income tax purposes on certain types of capital assets placed in service in 2009. This provision could substantially reduce, if not eliminate, our 2009 federal current tax liability, deferring cash payment for those taxes into subsequent years, and thus providing additional short-term cash flow benefit.

Table of Contents

Off Balance Sheet Transactions

We have operating leases that are described in the notes to our consolidated financial statements. See Note 8 for operating leases that have residual value guarantees. We use operating leases to lower our cost of financing. We believe operating leases are an important component of our capital structure.

In connection with the Spin-off, we have been indemnified by BCO for all liabilities related to BCO's former coal operations and certain tax liabilities under the Tax Matters Agreement. Refer to Note 16 — Commitments and Contingencies for further information regarding indemnification of BCO's coal liabilities and Note 7 — Income Taxes in our consolidated financial statements for further information about the Tax Matters Agreement.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2008.

(In millions)	Estimated Payments Due by Period						Total
	2009	2010	2011	2012	2013	Later Years	
Contractual obligations							
Operating lease obligations	\$ 9.5	\$6.4	\$4.7	\$2.7	\$1.4	\$0.4	\$25.1
Uncertain tax positions ^(a)	4.8						4.8
Commitment Fee related to the Credit Facility	0.2	0.2	0.2	0.2			0.8
Letters of Credit	2.7						2.7
Contractual obligations — new brand ^(b)	1.0						1.0
Total	\$18.2	\$6.6	\$4.9	\$2.9	\$1.4	\$0.4	\$34.4

(a) We have accrued for uncertain tax positions, pursuant to FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes — an interpretation of SFAS 109*, in the amount of \$4.8 million in 2008. The expected timing of the cash settlement for the \$4.8 million is currently not reasonably estimable.

(b) In connection with building the new brand, we have entered into agreements with several firms to help with the brand development and marketing process. As of December 31, 2008, the remaining costs of commitments with these firms total \$1.0 million which will be incurred in 2009.

Inflation

We believe that inflation has not materially affected our operations.

CRITICAL ACCOUNTING POLICIES

The application of accounting policies necessarily involves judgment and, in certain instances, the use of estimates and assumptions. Different amounts could be reported under different conditions or using different assumptions. We believe that the accounting policies used to develop estimates that are the most critical to understanding and evaluating our reported results relate to: revenue recognition, security systems capitalization, deferred subscriber acquisition costs, long-lived asset valuation, useful lives of security systems, allowance for doubtful accounts, and income taxes.

Historically, actual results have not differed materially from estimates.

We have discussed the development and selection of the critical accounting policies with our Audit and Finance Committee of our Board of Directors. The Audit and Finance Committee has reviewed our disclosures relating to these policies in this section of our Annual Report. For a description of all of our significant accounting policies see Note 1 to our consolidated financial statements.

Table of Contents

Revenue Recognition

Major components of our revenue include contractual monitoring and service revenues, non-refundable installation fees, including connection fees, additional equipment installation fees, sales of equipment without an extended contractual relationship, and other services. We follow Staff Accounting Bulletin 104, *Revenue Recognition*, which requires us to defer certain revenues associated with customer acquisition.

We recognize contractual monitoring and service revenue monthly as we provide services pursuant to the terms of subscriber contracts which have contract prices that are fixed and determinable. The subscriber's ability to meet the contract terms is assessed, including payment terms, before entering into the contract. Generally, we defer revenues associated with installation fees and recognize them using the straight-line method over the life of the customer relationship, which we currently estimate to be 15 years. We recognize revenues associated with the sale of products for which there is no attached extended contractual relationship when the products are delivered. We recognize revenues from services not covered by the terms of subscriber contracts as those services are rendered.

Unamortized balances of deferred revenue resulting from installation fees and the associated deferred cost in the event the related security system asset is disconnected and considered for impairment is immediately recognized, as described in "Deferred Subscriber Acquisition Costs."

Sales taxes collected from customers and remitted to governmental authorities are not included in revenues in our consolidated statements of income.

Security Systems Capitalization

We retain ownership of most security systems installed at subscriber locations. Capitalized costs related to security systems that are installed using Company employees and subcontractors include equipment and materials used in the installation process, direct labor required to install the equipment at subscriber sites, and other costs associated with the installation process. Other costs include the cost of vehicles used for installations and the portion of telecommunication, facilities, and administrative costs incurred primarily at our branches that are associated with the installation process. We estimate the other costs to be capitalized by allocating branch costs between installation activities and service activities. The portion of costs related to service activities is expensed while the portion of costs related to installation is capitalized. Estimates are re-evaluated periodically. While the relationship between installation and service activities fluctuates, such fluctuations have historically been insignificant and are not expected to materially change in the future. No corporate general and administrative or overhead costs are capitalized. In 2008, direct labor and other costs represented approximately 69% of the amounts capitalized, while equipment and materials represented approximately 31% of amounts capitalized. Security system assets acquired from third party dealers are capitalized at the contractually determined purchase price.

Deferred Subscriber Acquisition Costs

We incur marketing and selling costs to obtain new subscribers. Under the guidance of Staff Accounting Bulletin 104, *Revenue Recognition*, with additional guidance in SFAS 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, certain subscriber acquisition costs are deferred, primarily incremental direct selling costs. Substantially all deferred subscriber acquisition costs consist of incremental sales compensation and fringe benefits and referral fees paid which are directly related to successful subscriber acquisition efforts. The amount of deferred commissions is based on the percentage of successful sales to total sales efforts. We expense all marketing costs and indirect selling costs as current period costs.

For most installations, subscriber acquisition costs are less than deferred installation fees and are amortized using a straight-line method over the 15 year estimated life of the customer relationship. Estimated lives of the

Table of Contents

customer relationship are based on our ongoing annual analysis of subscriber and site retention. When a security system asset is identified for possible impairment, any unamortized deferred subscriber acquisition costs are immediately recognized related to that installation.

For subscribers acquired through our BHT activities, there are no deferred revenues. Subscriber acquisition costs are deferred in accordance with SFAS 91 for these activities and amortize these deferred costs using a straight-line method over the three-year initial monitoring contract term. We evaluate recoverability of the deferred acquisition costs by comparing the cost incurred to the expected cash to be received under the initial term of the related monitoring contract less estimated incremental costs to monitor the site. Because the expected net cash flows from the initial monitoring contract significantly exceed the deferred subscriber acquisition costs, we believe that the deferred subscriber acquisition costs are recoverable. Deferred subscriber acquisition costs of a BHT activation typically is approximately one-third of the minimum contractual revenues from the initial monitoring contract. Historically, the relationship of deferred subscriber acquisition costs to the expected initial monitoring contract revenues has not changed materially and material changes in the foreseeable future are not expected.

Long-Lived Asset Valuation

At December 31, 2008, we had net property and equipment of \$659.3 million, including \$618.9 million related to security systems. Long-lived assets are reviewed for possible impairment using the guidance in SFAS 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. Long-lived assets, including security systems, are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Impairment is indicated when the estimated total undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment is indicated, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

Impairment charges for security systems are recorded in cost of revenues based on the carrying value of security systems estimated to be permanently impaired during the period. The carrying value is the remaining net book value associated with a security system that has been disconnected. The number of permanently impaired security systems are estimated based on the actual disconnects during the period less an estimated number of those sites that will reconnect within a reasonable period in the future. The estimate of sites that will reconnect within a reasonable period in the future is analyzed and updated on an ongoing basis using actual historical data. The actual reconnect rate has not fluctuated materially over the past five years. For the sites that are expected to be reconnected within a reasonable period, the undiscounted cash flows expected to result from the reactivations exceed the carrying value of the security system assets, and accordingly, no impairment is recorded for those assets. Should the estimate of future reconnection materially change, our impairment charges could be affected.

Deferred installation revenues and deferred subscriber acquisition costs are associated with the subscriber relationship as opposed to the underlying physical asset. The carrying value of deferred installation fees and the associated carrying value of deferred acquisition costs are immediately recognized in the event of subscriber contract cancellation.

Useful Lives of Security Systems

Most security system assets are depreciated using the straight-line method over the 15-year estimated economic useful lives of the assets. At least annually, economic useful lives of security system assets are re-evaluated based upon our ongoing analysis of all pertinent factors, including observation of sites remaining in active service, historical disconnect and reconnect data, and assessment of the estimated technological life of the installed systems. Economic useful life of these security system assets are estimated primarily based on actual observations of the percentage of security system assets that remain in active status as the installed systems age

Table of Contents

over time. The percentage relationships have remained relatively stable over time. The percentage relationships are not expected to change materially in the foreseeable future.

Security systems at multi-family locations are depreciated using the straight-line method over the initial term of the related monitoring contracts, which range from three to ten years.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses on existing accounts receivable. The allowance is based on historical write-off experience. The allowance for doubtful accounts is reviewed quarterly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Total allowance for uncollectible accounts receivable as of December 31, 2008 was \$4.9 million, representing approximately 11.9% of the total accounts receivable. At December 31, 2007, the total allowance for doubtful accounts was \$4.4 million, which was approximately 10.4% of the total accounts receivable.

Income Taxes

We account for income taxes in accordance with SFAS 109, *Accounting for Income Taxes*. Deferred tax assets or liabilities are recorded to reflect the future tax consequences of temporary differences between the financial reporting basis of assets and liabilities and their tax basis at each year-end. These amounts are adjusted, as appropriate, to reflect enacted changes in tax rates expected to be in effect when the temporary differences reverse.

In the ordinary course of business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize potential liabilities for anticipated tax audit issues based on an estimate of the ultimate resolution of whether additional taxes may be due. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

As part of our financial process, we must assess the likelihood that deferred tax assets can be recovered. If recovery is not likely, the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to be ultimately recoverable. In this process, certain relevant criteria are evaluated including the existence of deferred tax liabilities that can be used to absorb deferred tax assets and taxable income in future years. Judgment regarding future taxable income may change due to future market conditions, changes in U.S. tax laws and other factors. These changes, if any, may require material adjustments to these deferred tax assets and an accompanying reduction or increase in net income in the period when such determinations are made.

We have been included in BCO's consolidated federal and state income tax returns prior to the Spin-off and will file stand-alone returns for subsequent periods. However, the provision for income taxes in the consolidated financial statements has been determined as if we had filed our own income tax returns separate and apart from BCO for all periods presented.

See below for the schedule of effective tax rates and the provision for income taxes:

<u>Years Ended December 31,</u>	<u>Provision for income taxes</u>			<u>Effective tax rate</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<i>(In millions)</i>			<i>(In percentages)</i>		
	\$ 36.3	27.8	25.5	38.9%	38.6%	41.3%

Table of Contents

RECENT ACCOUNTING PRONOUNCEMENTS

Adopted Standards

We adopted Financial Accounting Standards Board ("FASB") Interpretation 48, *Accounting for Uncertainty in Income Taxes — an interpretation of SFAS 109* ("FIN 48"), which was effective January 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109, *Accounting for Income Taxes* ("SFAS 109"). It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The adoption of this interpretation increased retained earnings at January 1, 2007, by \$4.3 million.

We adopted SFAS 123R, *Share-Based Payment* ("SFAS 123R"), effective January 1, 2006. Prior to adopting SFAS 123R, we accounted for our participation in BCO's share-based compensation plans using the intrinsic-value method under Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees*, as permitted by SFAS 123, *Accounting for Stock-Based Compensation*, the predecessor to SFAS 123R. Under the intrinsic-value method, no share-based compensation cost was recognized as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. SFAS 123R eliminates the use of the intrinsic-value method of accounting and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based on the fair value of those awards. In addition, SFAS 123R requires additional accounting and disclosures for the income tax and cash flow effects of share-based payment arrangements.

We adopted SFAS 123R using the "modified prospective" transition method. Under the modified prospective transition method, we began recognizing share-based compensation costs on January 1, 2006, but did not restate prior periods. The amount of compensation cost recognized was computed based on the requirements of SFAS 123R for share-based awards granted in 2006, and based on the requirements of SFAS 123 for the unvested portion of awards granted prior to 2006. Prior to the Spin-off on October 31, 2008, BCO allocated a portion of those expenses to us based on the number of options granted to our officers and employees.

We adopted SEC Staff Accounting Bulletin 108 ("SAB 108"), effective December 31, 2006, which is codified as SAB Topic 1.N, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB 108 requires companies to quantify misstatements using both a balance sheet and an income statement approach ("dual method" approach) and to evaluate whether either approach results in an error that is material in light of relevant quantitative and qualitative factors. Prior to the adoption of SAB 108, we evaluated errors using only the income statement approach.

We had previously identified that we had been incorrectly applying our accounting policy for recording impairment charges upon subscriber disconnects. Prior to the adoption of SAB 108, we determined that this incorrect application was not material to the financial statements using the income statement approach. The correction of this application was considered material using the dual method approach due to the impact on the trend of our operating profit. Upon adoption of SAB 108, to correctly apply its accounting policy to subscriber disconnects, we recorded a \$3.8 million (\$2.4 million after tax) increase to shareholder's equity in 2006.

We adopted SFAS 159, *The Fair Value Option for Financial Assets and Liabilities — Including an amendment of FASB Statement No. 115* ("SFAS 159"), effective January 1, 2008. SFAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value (the "fair value option"). Unrealized gains and losses, arising subsequent to the election of the fair value option, are reported in earnings. We did not elect the fair value option for existing assets or liabilities upon adoption. Therefore, the implementation of SFAS 159 did not have an effect on our results of operations or financial position.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements* ("SFAS 157"). In February 2008, the FASB issued FASB Staff Position 157-2, *Partial Deferral of the Effective Date of SFAS 157*, which

Table of Contents

delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities. We adopted SFAS 157, effective January 1, 2008, for financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosure of fair value measurements. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. The implementation of SFAS 157, as it relates to our financial assets and financial liabilities did not have a material effect on our results of operations or financial position.

Standards Not Yet Adopted

In December 2007, the FASB issued SFAS 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R establishes requirements for an acquirer to record the assets acquired, liabilities assumed, and any related noncontrolling interest related to the acquisition of a controlled subsidiary, measured at fair value as of the acquisition date. We are required to adopt SFAS 141R in the first quarter of 2009. We do not currently expect that the implementation of SFAS 141R will have a material effect on our results of operations and financial position.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary, as well as for the deconsolidation of a subsidiary. Specifically, SFAS 160 clarifies that noncontrolling interests in a subsidiary should be reported as equity in the consolidated financial statements. We are required to adopt SFAS 160 in the first quarter of 2009.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the computation of earnings per share under the two-class method. The FSP will become effective at the beginning of 2009. All prior period earnings per share data presented should be adjusted retrospectively. Early application of this FSP is prohibited. We do not expect the adoption of FSP-EITF No. 03-6-1 to have a material impact on the determination or reporting of our earnings per share.

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Foreign Currency Risk***

Our operations include activities in the United States and Canada. These operations expose us to a variety of market risks, including the effects of changes in commodity prices and foreign currency exchange rates. These financial and commodity exposures are monitored as an integral part of our overall risk management program.

The market risk exposure sensitivity analysis is based on the facts and circumstances in effect at December 31, 2008. Actual results will be determined by a number of factors that are not under our control and could vary materially from those disclosed.

We have exposure to the effects of foreign currency exchange rate fluctuations on the results of our Canadian operations. Our Canadian operations use the Canadian dollar to conduct business, but our consolidated results are reported in U.S. dollars.

We are exposed periodically to the foreign currency rate fluctuations that affect transactions not denominated in the functional currency of our domestic and foreign operations. We do not use derivative financial instruments to hedge investments in foreign subsidiaries since such investments are long-term in nature.

The following table shows the effects on operating income of a hypothetical simultaneous 10% appreciation in the U.S. dollar from year-end 2008 levels against the Canadian dollar.

(In millions)	Hypothetical Effects Increase/(decrease)
Translation of 2008 earnings into U.S. dollars	\$ 0.0
Transactional exposures	1.0
Translation of net assets of Canadian subsidiary	0.2

Interest Rate Risk

During 2008, we entered into a credit agreement that provides for a \$75 million revolving credit facility, provided by a bank group led by JPMorgan Chase Bank, N.A. (the "Credit Facility"). The pricing on the Credit Facility is based on, generally at our discretion, the greater of the Prime Rate or the Federal Funds Rate plus one-half of one percent, or LIBOR, plus an adjustment based on our leverage ratio, as defined by the Credit Facility.

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

BRINK'S HOME SECURITY HOLDINGS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>Page</u>
	42
CONSOLIDATED FINANCIAL STATEMENTS	
<u>Consolidated Balance Sheets</u>	43
<u>Consolidated Statements of Income</u>	44
<u>Consolidated Statements of Comprehensive Income</u>	45
<u>Consolidated Statements of Shareholders' Equity</u>	46
<u>Consolidated Statements of Cash Flows</u>	47
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
<u>Note 1 — Description of Business, The Spin-off, Basis of Presentation, and Significant Accounting Policies</u>	48
<u>Note 2 — Transactions with Related Parties</u>	55
<u>Note 3 — Accounts Receivable</u>	56
<u>Note 4 — Property and Equipment, net</u>	57
<u>Note 5 — Payroll and Other Employee Liabilities</u>	57
<u>Note 6 — Other Accrued Liabilities</u>	58
<u>Note 7 — Income Taxes</u>	58
<u>Note 8 — Operating Leases</u>	61
<u>Note 9 — Other Operating (Expense)/ Income, net</u>	61
<u>Note 10 — Capital Stock</u>	62
<u>Note 11 — Share-based Compensation Plans</u>	62
<u>Note 12 — Pro Forma Earnings Per Share</u>	67
<u>Note 13 — 401(k) Plan</u>	67
<u>Note 14 — Credit Agreement</u>	68
<u>Note 15 — Guarantor Information</u>	68
<u>Note 16 — Commitments and Contingencies</u>	68
<u>Note 17 — Geographical Information</u>	69
<u>Note 18 — Selected Quarterly Financial Data (unaudited)</u>	70

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
Brink's Home Security Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Brink's Home Security Holdings, Inc. and subsidiaries (Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 1 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, effective January 1, 2007, Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*, effective January 1, 2006, and Securities and Exchange Commission Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, effective December 31, 2006.

/s/ KPMG LLP

Dallas, Texas
March 31, 2009

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Balance Sheets

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<i>(In millions, except per share amounts)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 63.6	\$ 3.3
Accounts receivable (net of allowance for uncollectable accounts of \$4.9 and \$4.4 at December 31, 2008 and 2007, respectively)	36.3	38.1
Prepaid expenses and other	9.2	9.8
Deferred income taxes	24.8	23.3
Total current assets	133.9	74.5
Property and equipment, net	659.3	606.0
Deferred subscriber acquisition costs, net	83.7	83.2
Total assets	<u>\$876.9</u>	<u>\$763.7</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 20.4	\$ 23.4
Payable to related parties	—	13.2
Payroll and other employee liabilities	15.5	13.8
Other accrued liabilities	19.2	20.9
Deferred revenue	43.2	39.6
Total current liabilities	98.3	110.9
Deferred revenue	181.0	178.6
Deferred income taxes	104.8	58.2
Other liabilities	10.8	10.5
Total liabilities	394.9	358.2
Commitments and contingent liabilities (Note 16)		
Shareholders' equity:		
Preferred stock, \$10 par value, 2 million shares authorized, no shares issued	—	—
Common stock, no par value, 170 million shares authorized, 45.8 million shares issued and outstanding for 2008 and no shares for 2007	—	—
Common stock, \$1.00 par value, 5 million shares authorized, 2 million shares issued and outstanding for 2007	—	2.0
Additional paid-in capital	54.5	1.8
Retained earnings	428.9	403.6
Accumulated other comprehensive loss	(1.4)	(1.9)
Total shareholders' equity	482.0	405.5
Total liabilities and shareholders' equity	<u>\$876.9</u>	<u>\$763.7</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Statements of Income

(In millions, except per share amounts)

	Years Ended December 31,		
	2008	2007	2006
Revenues	\$532.3	\$484.4	\$439.0
Expenses:			
Cost of revenues	287.0	271.9	259.1
Selling, general and administrative expenses	150.9	144.3	118.1
Total expenses	437.9	416.2	377.2
Other operating (expense)/income, net	(0.4)	4.8	1.4
Operating profit	94.0	73.0	63.2
Interest expense	0.6	1.0	1.4
Income before income taxes	93.4	72.0	61.8
Provision for income taxes	36.3	27.8	25.5
Net income	\$ 57.1	\$ 44.2	\$ 36.3
Pro forma earnings per common share			
Basic:	\$ 1.25	\$.96	\$.79
Diluted:	1.25	.96	.79
Pro forma weighted-average common shares outstanding			
Basic	45.8	45.8	45.8
Diluted	45.8	45.9	45.9

The accompanying notes are an integral part of the Consolidated Financial Statements.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2008	2007	2006
(In millions)			
Net income	\$ 57.1	\$ 44.2	\$ 36.3
Other comprehensive income/(loss) — foreign currency translation adjustment arising during the period	0.5	(0.6)	--
Comprehensive income	<u>\$ 57.6</u>	<u>\$ 43.6</u>	<u>\$ 36.3</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Statements of Shareholders' Equity

Years Ended December 31, 2008, 2007 and 2006

<i>(In millions)</i>	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2005	\$ 2.0	\$ 1.8	\$ 316.4	\$ (1.3)	\$318.9
Net income	—	—	36.3	—	36.3
Adoption of Securities and Exchange Commission Staff Accounting Bulletin 108, net of income taxes of \$1.4 (see Note 1)	—	—	2.4	—	2.4
Balance as of December 31, 2006	2.0	1.8	355.1	(1.3)	357.6
Net income	—	—	44.2	—	44.2
Other comprehensive loss	—	—	—	(0.6)	(0.6)
Adoption of Financial Accounting Standards Board Interpretation 48 (see Notes 1 and 7)	—	—	4.3	—	4.3
Balance as of December 31, 2007	2.0	1.8	403.6	(1.9)	405.5
Net income	—	—	57.1	—	57.1
Other comprehensive income	—	—	—	0.5	0.5
Reclassification of par value upon issuance of no-par common stock at Spin-off	(2.0)	2.0	—	—	—
Contribution of cash from BCO at Spin-off (see Note 2)	—	50.0	—	—	50.0
Deemed dividend to BCO at Spin-off (see Note 2)	—	—	(31.8)	—	(31.8)
Disbursement of 45.8 million no par common shares to shareholders of BCO	—	—	—	—	—
Share-based compensation expense	—	0.7	—	—	0.7
Balance as of December 31, 2008	<u>\$ —</u>	<u>\$ 54.5</u>	<u>\$ 428.9</u>	<u>\$ (1.4)</u>	<u>\$482.0</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2008	2007	2006
<i>(In millions)</i>			
Cash flows from operating activities:			
Net income	\$ 57.1	\$ 44.2	\$ 36.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	85.3	77.7	67.6
Impairment charges from subscriber disconnects	56.5	50.4	47.1
Amortization of deferred revenue	(40.5)	(34.2)	(31.2)
Deferred income taxes	40.6	9.6	6.9
Share-based compensation	0.7	—	—
Provision for uncollectible accounts receivable	11.6	10.6	8.0
Other operating, net	2.0	(1.4)	0.4
Change in operating assets and liabilities:			
Accounts receivable	(9.8)	(8.8)	(13.9)
Accounts payable and accrued liabilities	(0.7)	10.0	18.9
Deferral of subscriber acquisition cost	(23.1)	(23.8)	(24.4)
Deferral of revenue from new subscribers	44.3	47.4	44.9
Prepaid and other current assets	(0.2)	(0.2)	(1.0)
Other, net	0.2	2.2	(3.7)
Net cash provided by operating activities	224.0	183.7	155.9
Cash flows from investing activities:			
Capital expenditures	(177.8)	(177.8)	(163.9)
Insurance proceeds	—	2.0	—
Net cash used in investing activities	(177.8)	(175.8)	(163.9)
Cash flows from financing activities:			
Change in cash overdrafts	(3.6)	(0.8)	(1.7)
Net contributions from (distributions to) BCO and other related parties	(32.2)	(6.5)	8.9
Cash received from BCO as a result of the Spin-off	50.0	—	—
Net cash provided (used) by financing activities	14.2	(7.3)	7.2
Effect of exchange rate changes on cash	(0.1)	0.1	—
Cash and cash equivalents:			
Increase (decrease)	60.3	0.7	(0.8)
Balance at beginning of period	3.3	2.6	3.4
Balance at end of period	\$ 63.6	\$ 3.3	\$ 2.6
Supplemental cash flow disclosures of non-cash financing activities:			
Transfers of net assets and liabilities to BCO	\$(151.6)	\$ —	\$ —
Deemed dividend to BCO at Spin-off	31.8	—	—
Supplemental cash flow information:			
Cash paid for:			
Interest	\$ 0.6	\$ 0.4	\$ 0.4
Income taxes, net:			
Paid to related parties	0.0	16.9	13.2
Other	1.0	1.5	0.4

The accompanying notes are an integral part of the Consolidated Financial Statements.

Table of Contents**BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*****Note 1 — Description of Business, The Spin-off, Basis of Presentation, and Significant Accounting Policies******Description of Business***

Brink's Home Security, Inc. ("Brink's Home Security") was incorporated in Delaware in 1983, and became a wholly-owned subsidiary of Brink's Home Security Holdings, Inc. ("Holdings"), a Virginia corporation, on October 31, 2008, upon completion of the spin-off transaction described below. Holdings and its consolidated subsidiaries, including Brink's Home Security, are collectively referred to in this report as the "Company" or "Holdings," unless otherwise indicated. Historically, the "Company" also refers to Brink's Home Security.

The Company conducts business in one segment. Management evaluates performance and allocates resources based on cash flows and operating profit or loss of the Company as a whole. The Company markets, installs, services, and monitors security alarm systems for over 1.3 million customers, covering more than 250 metropolitan areas in all 50 states and two Canadian provinces. Based on revenues, the Company believes it is the second largest provider of security alarm monitoring services for residential and commercial properties in North America. The Company's primary customers are residents of single-family homes, which comprise more than 90% of the Company's subscriber base.

The Spin-off

On September 12, 2008, the Board of Directors of The Brink's Company ("BCO") approved the separation of BCO into two independent, publicly traded companies through the distribution of 100% of its Brink's Home Security business to shareholders of BCO. To effect the separation, BCO transferred all outstanding shares of Brink's Home Security, through a series of transactions, to Holdings, another wholly-owned subsidiary of BCO, which prior to these transactions had no independent assets or operations, and distributed the shares of Holdings to BCO's shareholders.

As discussed in Note 10, distribution of Holdings' common stock to the stockholders of BCO occurred on October 31, 2008, at a ratio of one share of Holdings' common stock for each share of BCO's common stock held by each such holder as of the record date of October 21, 2008 ("the Spin-off"). Prior to the Spin-off, BCO received necessary regulatory approvals including a favorable private letter ruling on the tax-free nature of the transaction from the Internal Revenue Service, as well as a declaration of effectiveness for Holdings' Registration Statement on Form 10, as amended ("Form 10"), as filed with the U.S. Securities and Exchange Commission ("SEC"). Immediately following the Spin-off, Holdings' common stock began trading "regular way" on the New York Stock Exchange under the symbol "CFL," reflecting its corporate mission of creating "Customers For Life." See Note 2 for a description of transition services and other agreements entered into between the Company and BCO.

Basis of Presentation

The accompanying consolidated financial statements include the balances and results of operations of the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

The consolidated financial statements for the periods preceding the Spin-off date have been prepared using the Company's historical results of operations and historical basis in the assets and liabilities. Prior to the

Table of Contents

Spin-off, the historical financial statements included allocations of certain BCO corporate expenses. Those expenses were allocated to the Company based on the most relevant allocation method for the service provided. Management believes such allocations were reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as an independent company for the periods prior to the Spin-off. The charges for these functions are included in selling, general, and administrative expenses in the consolidated statements of income.

The consolidated financial statements for the period preceding October 31, 2008, may not be indicative of the Company's future performance and may not reflect what its consolidated results of operations, financial position, and cash flows would have been had the Company operated as an independent company during the periods presented. To the extent that an asset, liability, revenue, or expense is directly associated with the Company, it is reflected in the accompanying consolidated financial statements. Refer to Note 2 for further information regarding allocated expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with original maturities of three months or less.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses on the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience. The Company reviews its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

The Company retains ownership of most security systems installed at subscriber locations. Costs for those systems are capitalized and depreciated over the estimated lives of the assets. Costs capitalized as part of security systems include equipment and materials used in the installation process, direct labor required to install the equipment at subscriber sites, and other costs associated with the installation process. These other costs include the cost of vehicles used for installation purposes and the portion of telecommunication, facilities and administrative costs incurred primarily at the Company's field offices that are associated with the installation process. In 2008, direct labor and other costs represented approximately 69% of the amount capitalized, while equipment and materials represented approximately 31% of amount capitalized. The Company acquires ownership of some security system assets from third-party dealers. These security system assets are capitalized at the contractually determined purchase price.

Most security system assets are depreciated using the straight-line method over the 15-year estimated economic useful lives of the assets. At least annually, economic useful life of security systems are re-evaluated based upon ongoing analysis of all pertinent factors, including sites remaining in active service, historical disconnect and reconnect data, and assessment of the estimated technological life of the installed systems. The economic useful life of these security system assets is primarily based on the percentage of security system assets that remain in active status as the installed systems age over time. The percentage relationships have remained relatively stable over time. The Company does not expect the percentage relationships to change materially in the foreseeable future. In addition to regular straight-line depreciation expense each period, the Company charges to expense the carrying value of security systems estimated to be permanently disconnected based on each period's actual disconnect and historical reconnect experience.

Table of Contents

Property and equipment are recorded at cost. Depreciation is calculated principally on the straight-line method based on the estimated useful lives of individual assets or classes of assets.

Leasehold improvements are recorded at cost. Amortization is calculated principally on the straight-line method over the lesser of the estimated useful life of the leasehold improvement or lease term. Renewal periods are included in the lease term when the renewal is determined to be reasonably assured.

<u>Estimated Useful Lives</u>	<u>Years</u>
Buildings	22 to 30
Building leasehold improvements	3 to 10
Security systems	3 to 15
Capitalized software	5
Other machinery and equipment	5 to 10

Expenditures for routine maintenance and repairs on property and equipment are charged to expense. Major renewals, betterments, and modifications are capitalized and amortized over the lesser of the remaining life of the asset or, if applicable, the lease term.

Part of the costs related to the development or purchase of internal-use software is capitalized and amortized over the estimated useful life of the software. Costs that are capitalized include external direct costs of materials and services to develop or obtain the software, and internal costs, including compensation and employee benefits for employees directly associated with a software development project.

Revenue Recognition

Major components of revenue for the Company include revenues associated with contractual monitoring and service revenues, non-refundable installation fees including connection fees, additional equipment installation fees, sales of equipment without an extended contractual relationship, and other services. The Company follows SEC Staff Accounting Bulletin 104, *Revenue Recognition* ("SAB 104"), which requires the Company to defer certain revenues associated with customer acquisition.

The Company recognizes contractual monitoring and service revenue ratably as it provides services pursuant to the terms of subscriber contracts, which have contract prices that are fixed and determinable. The Company does not include sales taxes it collects from customers and remits to governmental authorities in revenues in its consolidated statements of income. The Company assesses a subscriber's ability to meet the contract terms, including payment terms, before entering into a contract. The Company generally defers revenues associated with installation fees and recognizes them using the straight-line method over the life of the customer relationship, which it estimates to be 15 years. The Company recognizes revenues associated with the sale of products for which there is no attached extended contractual relationship when the products are delivered. The Company recognizes revenues from services not covered by the terms of subscriber contracts as those services are rendered.

The Company immediately recognizes in earnings any unamortized balance of deferred revenue resulting from installation fees and the associated deferred costs in the event that the related security system asset is disconnected and considered for impairment, as described in "Deferred Subscriber Acquisition Costs" seen below. Deferred installation fees recognized at subscriber disconnect were \$22.8 million, \$17.8 million, and \$16.2 million for the years ended December 31, 2008, 2007, and 2006, respectively.

Table of Contents***Deferred Subscriber Acquisition Costs***

The Company incurs marketing and selling costs to obtain new subscribers. Under the guidance of SAB 104, with additional guidance in Statement of Financial Accounting Standards ("SFAS") 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases* ("SFAS 91"), the Company defers certain subscriber acquisition costs, primarily incremental direct selling costs. Substantially all deferred subscriber acquisition costs consist of incremental sales compensation and fringe benefits, as well as referral fees paid which are directly related to successful subscriber acquisition efforts. The amount of commissions deferred is based on the percentage of successful sales to total sales efforts. The Company expenses all marketing costs and indirect selling costs as period costs.

For most installations, subscriber acquisition costs are less than deferred installation fees and are amortized using a straight-line method over the 15 year estimated life of the customer relationship. The Company bases the estimated life of the customer relationship on its ongoing annual analysis of subscriber and site retention. When a security system asset is identified for disconnection and possible impairment, the Company immediately recognizes any unamortized deferred subscriber acquisition costs related to that installation.

For subscribers acquired through the Company's Brink's Home Technologies ("BHT") activities, there are no deferred revenues. The Company defers subscriber acquisition costs in accordance with SFAS 91 for these activities and amortizes these deferred costs using a straight-line method over the three-year initial monitoring contract term. Deferred subscriber acquisition costs for each BHT activation typically approximate one-third of the minimum contractual revenues from the initial monitoring contract.

Accumulated amortization of deferred subscriber acquisition costs were \$45.1 million and \$42.4 million at December 31, 2008 and 2007 respectively. The Company recorded impairment charges for deferred subscriber acquisition costs totaling \$9.6 million, \$7.7 million, and \$7.2 million for the years ended December 31, 2008, 2007, and 2006, respectively. These charges are included in cost of revenues.

Impairment from Subscriber Disconnects

The Company reviews long-lived assets for possible impairment using the guidance in SFAS 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. Long-lived assets, including security systems, are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment is indicated when the estimated total undiscounted cash flows associated with the asset may not be recoverable. Also, impairment is indicated when the estimated total undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the actual net book value of the asset and its fair value.

The Company records impairment charges for security systems each period based on the carrying value of security systems estimated to be permanently disconnected during the period. The carrying value is the actual remaining net book value associated with the security systems estimated to be disconnected. The Company estimates the number of permanently disconnected security systems based on the actual disconnects during the period less an estimated number of those sites that will reconnect within a reasonable period in the future. The estimate of sites that will reconnect within a reasonable period in the future is analyzed on an ongoing basis based on historical data. For the sites that are expected to be reconnected within a reasonable period, the undiscounted cash flows expected to result from the reactivations exceed the carrying value of the security systems assets, and accordingly, no impairment is recorded for those assets. Should the estimate of future reconnection experience change, the Company's impairment charges would be affected.

The Company recorded impairment charges for disconnected security systems amounting to \$46.9 million, \$42.6 million, and \$39.9 million for the years ended December 31, 2008, 2007, and 2006, respectively. These charges are included in cost of revenues.

Table of Contents

Advertising and Marketing Expense

The Company expenses advertising and marketing expenses when incurred. Television media production costs are expensed upon the first broadcast of the respective advertisement. Media broadcast advertising costs and printed materials and other advertising costs are expensed as incurred. These expenses totaled \$42.1 million, \$41.7 million, and \$33.4 million for the years ended December 31, 2008, 2007, and 2006, respectively, and are included in selling, general and administrative expenses.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets or liabilities are recorded to reflect the future tax consequences of temporary differences between the financial reporting basis of assets and liabilities and their tax basis at each year-end. These amounts are adjusted, as appropriate, to reflect enacted changes in tax rates expected to be in effect when the temporary differences reverse. Management periodically reviews recorded deferred tax assets to determine if it is more likely than not that they will be realized. If management determines it is more likely than not that a deferred tax asset will not be realized, an offsetting valuation allowance is recorded, reducing earnings and the deferred tax asset in that period. The Company had been included in BCO's consolidated federal and state income tax returns prior to Spin-off and will file stand-alone returns for subsequent periods. However, the provision for income taxes in the consolidated financial statements prior to the Spin-off was determined as if the Company filed its own income tax returns separate and apart from BCO. See Note 7 for further information on income taxes.

Foreign Currency Translation

The Company's consolidated financial statements are reported in U.S. dollars. A small portion of the Company's business is transacted in Canadian dollars. The Company's Canadian subsidiary maintains its records in Canadian dollars. The assets and liabilities are translated into U.S. dollars using rates of exchange at the balance sheet date and translation adjustments are recorded in other comprehensive income. Revenues and expenses are translated at average rates of exchange in effect during the year. Transaction gains and losses related to changes in the foreign currency are included in "Other" income or expense in the consolidated statements of income. See Note 9 for the amount of foreign currency transaction gain or loss.

Concentration of Credit Risks

Financial instruments which potentially subject the Company to concentrations of credit risks are principally cash and cash equivalents and accounts receivables. Cash and cash equivalents are held by major financial institutions. The large number and geographic diversity of its customers limits the Company's concentration of risk with respect to accounts receivable.

Use of Estimates

In accordance with U.S. GAAP, management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ materially from these estimates. The most significant estimates used by management are used in the processes of revenue recognition, security system capitalization, deferred subscriber acquisition costs, long-lived asset valuations, useful lives of security systems, the allowance for doubtful accounts, and income taxes.

Share-based Compensation

For periods prior to the Spin-off, share-based compensation represented the costs related to BCO's share-based awards granted to employees of the Company recognized under the provisions of SFAS No. 123R,

Table of Contents

Share-Based Payment. BCO selected the modified prospective transition method of implementing SFAS 123R and began recognizing compensation expense for share-based awards granted on or after January 1, 2006, plus any unvested awards granted prior to January 1, 2006.

SFAS 123R requires that all share-based payments to employees, including grants of stock options, be recognized in the financial statements based on their fair value. The fair value of each stock option award on the grant date is estimated using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield, expected stock price volatility, weighted-average risk-free interest rate, and weighted average expected life of the options. In connection with the Spin-off, BCO's share-based awards held by Company employees were converted to equivalent share-based awards of Holdings based on the ratio of the Company's fair market value to BCO's and Holdings' combined fair market value at the time of the Spin-off. The conversion was accounted for as a modification under the provisions of SFAS 123R, and resulted in an increase in the fair value of the awards of approximately \$0.6 million. For the periods following the Spin-off, share-based compensation represented the costs related to the Company's share-based awards.

Under SFAS 123R, the Company's expected volatility assumption used in the Black-Scholes option-pricing model was based on peer group volatility. The expected life assumption is based on the simplified method in accordance with the SEC's Staff Accounting Bulletin ("SAB") No. 107, which was extended by SAB No. 110. The simplified method is based on the vesting period and contractual term for each vesting tranche of awards. The mid-point between the vesting date and the expiration date is used as the expected term under this method. The risk-free interest rate used in the Black-Scholes model is based on the implied yield curve available on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the Company's expected term assumption. The Company has not declared or paid a cash dividend and has no current plans to pay cash dividends. See Note 11 for additional information related to the Company's share-based compensation.

Accounting Correction

In the second quarter of 2008, an adjustment was made to correct amounts previously reported for prior annual periods for the write-off of deferred subscriber acquisition costs and deferred revenue associated with the termination of customer relationships. This adjustment resulted in an increase to operating profit of \$2.4 million as of the quarter ended June 30, 2008. However, through further analysis in the fourth quarter, additional adjustments were made. The cumulative adjustment from the accounting correction for the year ended 2008 resulted in year-to-date increased revenues of \$3.1 million, decreased impairment charges from subscriber disconnects, a component of cost of revenues, of \$0.5 million, and an increase to operating profit of \$3.6 million. These items were not material to the Company's financial position or results of operations, and had no impact on cash flow.

New Accounting Standards

The Company adopted Financial Accounting Standards Board ("FASB") Interpretation 48, *Accounting for Uncertainty in Income Taxes — an interpretation of SFAS 109* ("FIN 48"), effective January 1, 2007. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109, *Accounting for Income Taxes* ("SFAS 109"). It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The adoption of this interpretation increased retained earnings at January 1, 2007, by \$4.3 million.

The Company adopted SEC Staff Accounting Bulletin 108 ("SAB 108"), effective December 31, 2006, which is codified as SAB Topic 1.N, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB 108 requires companies to quantify misstatements using both a balance sheet and an income statement approach ("dual method" approach) and to evaluate whether either approach results in an error that is material in light of relevant quantitative and qualitative factors. Prior to the adoption of SAB 108, the Company evaluated errors using only the income statement approach.

Table of Contents

The Company had previously identified that it had been incorrectly applying its accounting policy for recording impairment charges upon subscriber disconnects. Prior to the adoption of SAB 108, the Company determined that this incorrect application was not material to the financial statements using the income statement approach. The correction of this application was considered material using the dual method approach due to the impact on the trend of operating profit of the Company. Upon adoption of SAB 108, to correctly apply its accounting policy to subscriber disconnects, the Company recorded a \$3.8 million (\$2.4 million after tax) increase to shareholder's equity in 2006.

The Company adopted SFAS 159, *The Fair Value Option for Financial Assets and Liabilities — Including an amendment of FASB Statement No. 115* ("SFAS 159"), effective January 1, 2008. SFAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value (the "fair value option"). Unrealized gains and losses, arising subsequent to the election of the fair value option, are reported in earnings. The Company did not elect the fair value option for existing assets or liabilities upon adoption. Therefore, the implementation of SFAS 159 did not have an effect on the Company's results of operations or financial position.

In February 2008, the FASB issued FASB Staff Position 157-2, *Partial Deferral of the Effective Date of SFAS 157* ("SFAS 157"), which delayed the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities. The Company adopted SFAS 157, effective January 1, 2008, for financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosure of fair value measurements. SFAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. The implementation of SFAS 157, as it relates to the Company's financial assets and financial liabilities did not have a material effect on the Company's results of operations or financial position.

In December 2007, the FASB issued SFAS 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R establishes requirements for an acquirer to record the assets acquired, liabilities assumed, and any related noncontrolling interest related to the acquisition of a controlled subsidiary, measured at fair value as of the acquisition date. The Company is required to adopt SFAS 141R in the first quarter of 2009. The Company does not currently expect that the implementation of SFAS 141R will have a material effect on the Company's results of operations and financial position.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"). SFAS 160 amends Accounting Research Bulletin 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary, as well as for the deconsolidation of a subsidiary. Specifically, SFAS 160 clarifies that noncontrolling interests in a subsidiary should be reported as equity in the consolidated financial statements. The Company is required to adopt SFAS 160 in the first quarter of 2009. The Company does not currently expect that the implementation of SFAS 160 will have a material effect on the Company's results of operations and financial position.

In June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. This FSP provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the computation of earnings per share under the two-class method. The FSP will become effective at the beginning of 2009. All prior period earnings per share data presented should be adjusted retrospectively. Early application of this FSP is prohibited. The Company does not expect the adoption of FSP-EITF No. 03-6-1 to have a material impact on the determination or reporting of the Company's earnings per share.

Table of Contents***Note 2 — Transactions with Related Parties******Allocation of BCO's General and Administrative Corporate Expenses***

For the periods prior to the Spin-off date of October 31, 2008, the accompanying consolidated financial statements include allocations of certain BCO corporate expenses for services provided to the Company including certain treasury, accounting, tax, legal, internal audit, human resources, investor relations, general management, real estate, insurance, risk management, and other functions, such as board of directors and other centrally managed employee benefit arrangements. The allocation of costs was estimated based on BCO's employees' percentage of time spent on Company matters. Costs allocated by BCO include overhead and other indirect costs. Other than short-term transition services charges, which are expected to be not more than \$0.3 million, the Company will no longer incur an allocated corporate expense charge from BCO. The Company has recorded allocated costs of \$4.1 million, \$8.0 million, and \$7.1 million for the years ended December 31, 2008, 2007, and 2006, respectively, within selling, general, and administrative expenses. The Company believes the assumptions and methodologies underlying the allocation of general corporate overhead expenses from BCO were reasonable. See Note 1 for further discussion.

Cash

In connection with the Spin-off, BCO transferred \$50 million in cash to Holdings as a capital contribution. This transfer has been recorded as an adjustment to additional paid-in capital on the consolidated financial statements.

Receivable from and Payable to Related Parties

Before the Spin-off, BCO provided the Company with funds for its operating cash when needed. Any excess funds were advanced to BCO. Intercompany accounts were maintained for such borrowings that occurred between the Company and its parent. For purposes of the statements of cash flows, the Company reflected intercompany activity as a financing activity. Interest expense under this arrangement was \$0.2 million, \$0.7 million, and \$0.9 million for the years ended December 31, 2008, 2007, and 2006, respectively. Interest expense incurred by the Company associated with its payable to related parties other than BCO was \$0.1 million, \$0.3 million, and \$0.4 million for the years ended December 31, 2008, 2007, and 2006, respectively.

Non-cash Transactions

In connection with the Spin-off, the Company transferred to BCO net assets of a wholly-owned subsidiary in the amount of \$139.2 million. Additionally, we transferred other operating assets and liabilities in the net amount of \$12.4 million. These two items comprise the \$151.6 million non-cash transfer of net assets and liabilities to BCO. The net effect of the \$50 million cash received from BCO and the elimination of the net intercompany payables resulted in a deemed dividend to BCO in the amount of \$31.8 million, a non-cash transaction reducing retained earnings.

Brand License Agreement

The Company has had a brand license agreement with a subsidiary of BCO that allowed the Company to use BCO's trademark for certain products and services. The Company is contractually required to pay a royalty to BCO based on the Company's revenues. In connection with the Spin-off, the percentage of revenues the Company paid to BCO for the use of the Brink's brand was decreased from approximately 7.0% to 1.25% of net revenues pursuant to the Brand Licensing Agreement between BCO and the Company. The royalty rate will continue to be 1.25% of net revenues until the earlier of October 31, 2011, or when the Company ceases the active use of the Brink's brand name. Royalty expense was \$31.5 million, \$33.2 million, and \$30.1 million for the years ended December 31, 2008, 2007, and 2006, respectively, and is included in cost of revenues.

Table of Contents

Allocation of Income Tax Expense

In accordance with the Tax Matters Agreement between the Company and BCO, BCO is, in general, responsible for any and all taxes reported on any joint return through the date of Spin-off, which may also include the Company for periods prior to the Spin-off. The Company is responsible for any and all taxes reported on any Company separate tax return and on any consolidated returns for Holdings subsequent to the Spin-off.

As the Company and its U.S. subsidiaries have been included in the consolidated U.S. Federal income tax return filed by BCO, BCO's consolidated tax provision and actual cash payments for U.S. Federal and state income taxes have been allocated to the Company in accordance with BCO's tax allocation policy. In general, BCO's consolidated U.S. tax provision and related tax payments or refunds were allocated to the Company based principally upon the financial income, taxable income, credits, and other amounts directly related to the Company, as if the Company filed its own tax returns.

Savings Plans

In connection with the Spin-off, the Company established a U.S. tax-qualified 401(k) plan. BCO transferred to the Company's 401(k) plan an amount equal to the account balances of the Company's current and former employees in the BCO 401(k) plan. Each Company employee who participated in the BCO 401(k) plan was credited with all service accrued with BCO prior to such transfer for all purposes under the Company's 401(k) plan. Expenses related to the defined contribution savings plan were allocated to the Company on an employee-by-employee basis prior to the Spin-off. See Note 13 for further information.

Transition Services and Other Agreements Related to the Spin-off from BCO

Following the Spin-off, the Company and BCO have operated independently, and neither has any ownership interest in the other. As a part of the Spin-off, the Company has entered into certain agreements, including the Separation and Distribution Agreement, the Tax Sharing Agreement, the Employee Matters Agreement and the Transition Services Agreement. In order to govern the ongoing relationships between the Company and BCO after the Spin-off and to provide mechanisms for an orderly transition, the Company and BCO agreed to certain non-compete and non-solicitation arrangements. Also, the Company and BCO indemnified each other against certain liabilities arising from their respective businesses. The specified services that the Company can receive, as requested from BCO, include tax, legal, accounting, treasury, investor relations, insurance and risk management, and human resources. The services are paid for by the Company, as set forth in the Transition Services Agreement. The Transition Services Agreement provides for terms ranging from 6 to 18 months for such services. The Company has incurred less than \$0.1 million in expense for services provided by BCO pursuant to the Transition Services Agreement for the two months ended December 31, 2008.

Note 3 — Accounts Receivable

The following table presents the Company's accounts receivable and allowance for doubtful accounts:

(In millions)	December 31,	
	2008	2007
Trade	<u>\$40.5</u>	<u>\$41.3</u>
Other	<u>0.7</u>	<u>1.2</u>
Total accounts receivable	<u>41.2</u>	<u>42.5</u>
Allowance for doubtful accounts	<u>(4.9)</u>	<u>(4.4)</u>
Accounts receivable, net	<u><u>\$36.3</u></u>	<u><u>\$38.1</u></u>

Table of Contents*(In millions)***Allowance for doubtful accounts:**

Beginning of year
 Provision for uncollectible accounts receivable
 Write offs less recoveries
 End of year

December 31,		
2008	2007	2006
\$ 4.4	\$ 4.7	\$ 4.1
11.6	10.6	8.0
(11.1)	(10.9)	(7.4)
<u>\$ 4.9</u>	<u>\$ 4.4</u>	<u>\$ 4.7</u>

Note 4 — Property and Equipment, net

The following table presents the Company's property and equipment, net:

(In millions)

	December 31,	
	2008	2007
Land	\$ 2.5	\$ 2.5
Buildings	15.5	15.5
Leasehold improvements	3.4	3.1
Security systems	925.6	840.2
Capitalized software	24.2	21.2
Computers and office equipment	43.9	45.3
Total property and equipment	1,015.1	927.8
Accumulated depreciation and amortization	(355.8)	(321.8)
Property and equipment, net	<u>\$ 659.3</u>	<u>\$ 606.0</u>

The following table presents the Company's depreciation and amortization expense for the years ended December 31, 2008, 2007, and 2006.

(In millions)

	December 31,		
	2008	2007	2006
Property and equipment ^(a)	\$72.8	\$65.6	\$57.1
Amortization of deferred subscriber acquisition costs	12.5	12.1	10.5
	<u>\$85.3</u>	<u>\$77.7</u>	<u>\$67.6</u>

(a) Includes amortization of capitalized software costs of \$1.2 million in 2006, \$1.6 million in 2007, and \$2.2 million in 2008.

Note 5 — Payroll and Other Employee Liabilities

The following table presents the Company's payroll and other employee liabilities:

(In millions)

	December 31,	
	2008	2007
Accrued payroll	\$ 8.2	\$ 7.1
Accrued vacation	4.0	4.1
Bonus accrual	3.3	2.6
Total payroll and other employee liabilities	<u>\$15.5</u>	<u>\$13.8</u>

Table of Contents**Note 6 — Other Accrued Liabilities**

The following table presents the Company's other accrued liabilities:

	December 31,	
	2008	2007
(In millions)		
Taxes, except income taxes	\$ 4.5	\$ 4.0
Workers' compensation and other claims	4.6	4.1
Customer deposits	6.1	6.0
Other	4.0	6.8
Other accrued liabilities	<u>\$19.2</u>	<u>\$20.9</u>

Note 7 — Income Taxes

Prior to the Spin-off, in most states the Company had been included in BCO's consolidated federal and state income tax returns. However, the provision for income taxes in the Company's consolidated financial statements for all periods prior to the Spin-off was determined as if the Company filed its own income tax returns separate and apart from BCO. Subsequent to the Spin-off, the Company will file stand-alone federal and state income tax returns.

The Company entered into a tax matters agreement ("TMA") with BCO, which governs BCO's and the Company's respective rights, responsibilities and obligations with respect to tax liabilities and benefits, the preparation and filing of tax returns, the control of audits, and other tax matters. The TMA generally allocates responsibility for consolidated tax liabilities for periods prior to Spin-off to BCO and for stand-alone tax liabilities prior to and subsequent to the Spin-off to the Company. Furthermore, the TMA provides that the Company is required to indemnify BCO and its affiliates against all tax-related liabilities caused by the failure of the Spin-off to qualify for tax-free treatment for United States federal income tax purposes to the extent these liabilities arise as a result of any action taken by Holdings or any of Holdings' subsidiaries following the Spin-off or otherwise result from any breach of any covenant under the TMA or any other agreement entered into by the Company in connection with the Spin-off. Though valid as between the parties, the TMA is not binding on the IRS.

The following table presents a summary of income taxes:

	December 31,		
	2008	2007	2006
(In millions)			
Net income (loss) before taxes			
U.S.	\$93.9	\$70.4	\$61.5
Foreign	(0.5)	1.6	0.3
	<u>\$93.4</u>	<u>\$72.0</u>	<u>\$61.8</u>
Income tax expense (benefit)			
Current			
U.S. Federal	\$ (7.8)	\$16.5	\$13.2
State	3.5	1.7	5.4
	<u>\$ (4.3)</u>	<u>\$18.2</u>	<u>\$18.6</u>
Deferred			
U.S. Federal	\$39.5	\$ 7.9	\$ 6.7
State	1.1	1.7	0.2
	<u>\$40.6</u>	<u>9.6</u>	<u>6.9</u>
	<u>\$36.3</u>	<u>\$27.8</u>	<u>\$25.5</u>

Table of Contents*(In millions)***Comprehensive provision (benefit) for income taxes allocable to**

	December 31,		
	2008	2007	2006
Net income	\$36.3	\$27.8	\$25.5
Shareholders' equity	<u>—</u>	<u>(4.3)</u>	<u>1.4</u>
	<u>\$36.3</u>	<u>\$23.5</u>	<u>\$26.9</u>

Rate Reconciliation

The following table reconciles the difference between the actual tax provision and the amounts obtained by applying the statutory U.S. Federal income tax rate of 35% in each year to income before income taxes.

*(In millions)***Income tax expense computed at 35% statutory rate****Increases in taxes due to:**

	December 31,		
	2008	2007	2006
Income tax expense computed at 35% statutory rate	\$32.8	\$25.2	\$21.6
Increases in taxes due to:			
State income taxes, net	3.0	2.2	3.6
Other	<u>0.5</u>	<u>0.4</u>	<u>0.3</u>
Actual income tax expense	<u>\$36.3</u>	<u>\$27.8</u>	<u>\$25.5</u>

The components of the net deferred tax assets and (liabilities) are as follows:

*(In millions)***Deferred tax assets**

	December 31,	
	2008	2007
Deferred revenue	\$ 85.0	\$ 82.4
Workers' compensation and other claims	1.8	6.1
Pension and other post-retirement benefits	0.2	—
Other assets and liabilities	13.7	12.7
Net operating loss carry forwards	2.3	2.1
Tax credits	<u>0.3</u>	<u>—</u>
Subtotal	103.3	103.3
Valuation allowances	<u>—</u>	<u>(0.4)</u>
Total deferred tax assets	<u>103.3</u>	<u>102.9</u>

Deferred tax liabilities

Property and equipment, net	154.0	109.0
Prepaid assets	28.5	28.0
Other assets and miscellaneous	0.8	0.8
Total deferred tax liabilities	<u>183.3</u>	<u>137.8</u>
Net deferred tax liabilities	<u>(80.0)</u>	<u>(34.9)</u>

Included in:

Current assets	24.8	23.3
Noncurrent liabilities	<u>(104.8)</u>	<u>(58.2)</u>
Net deferred tax liabilities	<u>\$ (80.0)</u>	<u>\$ (34.9)</u>

Table of Contents**Valuation allowances**

A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. Based on the Company's historical and expected future taxable earnings, and consideration of available tax-planning strategies, management believes it is more likely than not that the Company will realize the benefit of the existing deferred tax assets, net of valuation allowances, at December 31, 2008.

(In millions)	December 31,		
	2008	2007	2006
Valuation allowances:			
Beginning of year	\$ 0.4	\$ 0.9	\$ 1.1
Changes in deferred taxes charged to net income	(0.2)	(0.6)	(0.3)
Foreign currency exchange effects	(0.2)	0.1	0.1
End of year	<u>\$ —</u>	<u>\$ 0.4</u>	<u>\$ 0.9</u>

The valuation allowance for deferred tax assets is related to the Company's Canadian operations. In 2008, the Company determined that it is more likely than not that the benefit of these deferred tax assets will be realized and, thus, adjusted the valuation allowance accordingly.

Undistributed Foreign Earnings

As of December 31, 2008, the Company has not recorded U.S. Federal deferred income taxes, on the excess of the tax basis over the financial statement carrying amount of its investment in the Company's Canadian operations, in accordance with Accounting Principles Board Opinion 23, *Accounting for Income Taxes — Special Areas*, as amended.

Net Operating Losses

The gross amount of Canadian net operating loss carryforwards as of December 31, 2008 was \$6.3 million. The tax benefit of the Canadian net operating loss carryforwards as of December 31, 2008 was \$2.0 million and expires in years 2015 — 2028.

The gross amount of U.S. Federal net operating loss carryforwards subsequent to the Spin-off as of December 31, 2008 was \$0.9 million. The tax benefit of the U.S. Federal net operating loss carryforwards as of December 31, 2008 was \$0.3 million and expires in 2028.

Uncertain Tax Positions

Effective January 1, 2007, the Company adopted the provisions of FIN 48. FIN 48 clarified the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provided guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

(In millions)	Amount
Balance at January 1, 2008	\$ 5.7
Increases related to prior year tax positions	0.1
Decreases related to prior year tax positions	(1.0)
Increases related to current year tax positions	0.2
Settlements	(0.1)
Lapse of statute	(0.3)
Balance at December 31, 2008	<u>\$ 4.6</u>

Table of Contents

The total amount of unrecognized tax benefits (excluding interest and penalty accruals) at December 31, 2008 was \$4.6 million. All of the unrecognized tax benefits at December 31, 2008, if recognized, would impact the effective tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. Interest and penalties included in income tax expense amounted to \$0.1 million in 2008, \$0.3 million in 2007, and \$0.9 million in 2006. The Company had accrued penalties and interest of \$1.1 million at December 31, 2008 and \$1.0 million at December 31, 2007.

The Company files income tax returns in various U.S. states and Canada. The Company has been included in BCO's U.S. Federal consolidated income tax returns prior to the Spin-off. With few exceptions, as of December 31, 2008, the Company was no longer subject to U.S. Federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2003. The Company does not anticipate that the total amount of unrecognized tax benefits will significantly increase or decrease during the year ending December 31, 2009.

Note 8 — Operating Leases

The Company leases facilities, vehicles, computers, and other equipment under long-term operating leases with varying terms. Most of the operating leases contain renewal and/or purchase options. The Company from time to time expects that, in the normal course of business, the majority of operating leases will be renewed or replaced by other leases.

As of December 31, 2008, future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year are included below.

<i>(In millions)</i>	<u>Facilities</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Total</u>
2009	\$ 4.2	\$ 5.0	\$ 0.3	\$ 9.5
2010	3.5	2.8	0.1	6.4
2011	2.7	1.9	0.1	4.7
2012	2.1	0.6	—	2.7
2013	1.4	—	—	1.4
Later years	0.4	—	—	0.4
	<u>\$ 14.3</u>	<u>\$ 10.3</u>	<u>\$ 0.5</u>	<u>\$25.1</u>

The table above includes lease payments for the initial accounting lease term and all renewal periods for most vehicles under operating leases used in the Company's operations. If the Company were to not renew these leases, it would be subject to a residual value guarantee. The Company's maximum residual value guarantee is \$7.5 million at December 31, 2008. If the Company continues to renew the leases and pay all lease payments for the vehicles that have been included in the above table, this residual value guarantee will reduce to zero at the end of the final renewal period.

Net rent expense amounted to \$10.8 million in 2008, \$11.2 million in 2007, and \$11.1 million in 2006.

Note 9 — Other Operating (Expense)/ Income, net

<i>(In millions)</i>	<u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Hurricane Katrina insurance settlement gains	\$—	\$2.3	\$—
Royalty income	1.5	1.4	1.7
Foreign currency transaction (losses)/gains, net	(1.9)	0.9	(0.1)
Other	—	0.2	(0.2)
Total	<u>\$ (0.4)</u>	<u>\$4.8</u>	<u>\$ 1.4</u>

Table of Contents***Note 10 — Capital Stock***

Pursuant to the Spin-off, two million shares outstanding of \$1 par value common stock in the Company were distributed as a stock dividend to BCO, the Company's then sole shareholder. Holdings was established with authorized capital stock consisting of 170 million shares of common stock, no par value, and two million shares of preferred stock, \$10.00 par value per share. On the Spin-off date of October 31, 2008, BCO contributed the stock of Brink's Home Security to Holdings, and then distributed approximately 45.8 million no par shares of Holdings as a stock dividend on BCO's common stock to all BCO's shareholders of record as of October 21, 2008. As of December 31, 2008, 45,769,171 shares of common stock and zero shares of preferred stock in Holdings were issued and outstanding.

Dividends

Holders of shares of common stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available for that purpose. Future dividends are dependent upon earnings, financial condition, cash flow and business requirements, as determined by the Board of Directors. As of December 31, 2008, no dividends have been declared by the Board of Directors.

Note 11 — Share-based Compensation Plans

Prior to the Spin-off from BCO, certain employees of the Company participated in BCO's 2005 Equity Incentive Plan and 1988 Stock Option Plan. Under these plans, employees were granted options to purchase stock in BCO. Certain employees also participated in BCO's Key Employees' Deferred Compensation Program. The expense incurred for stock options and deferred compensation related to Company employees has been reflected in the Company's consolidated statements of income in selling, general, and administrative expenses.

In connection with the Spin-off, BCO's share-based awards held by Company employees were converted to equivalent share-based awards of Holdings based on the ratio of the Company's fair market value of stock when issued to the fair market value of BCO stock. The number of shares and, for options, the ratio of the exercise price to market price were equitably adjusted to preserve the intrinsic value of the award as of immediately prior to the Spin-off. The conversion was accounted for as a modification under the provisions of SFAS 123R and resulted in a \$0.6 million aggregate increase in the fair value of option awards, affecting 18 employees and non-employee directors. Of the total amount, the Company recorded non-cash compensation expense of \$0.3 million in selling and general and administrative expenses in the consolidated statements of income for the year ended December 31, 2008. The remaining \$0.3 million of modification expense will be recorded through 2011.

In connection with the Spin-off, the Company's Board of Directors adopted stock incentive plans providing for future awards to the Company's employees and directors. See below for descriptions of the plans.

Share-based Plans

2008 Equity Incentive Plan ("2008 Equity Plan"): This plan permits grants of stock options, restricted stock, stock appreciation rights ("SARs"), performance stock and other share-based awards to any individual employed by the Company. The 2008 Equity Plan is administered by the compensation committee, which is comprised of four Board of Director members, who may issue rules and regulations for administration of the plan. The number of shares available for issuance under the 2008 Equity Plan is equal to the sum of 1,000,000 and the aggregate number of shares subject to the converted awards, less the awards outstanding. Any shares covered by an award other than options, SARs, and converted awards are counted against this limit as two shares for every one share awarded under this plan. No participant may receive options and SARs under the plan that exceeds 200,000 shares in one year. Each contractual term of an option or SAR granted is fixed by the committee but cannot exceed six years from the grant date. Restricted stock awards have a vesting period as defined by the award

Table of Contents

agreement. No awards will be granted after the termination of the plan, the tenth year after the Spin-off, unless extended by shareholder approval. Since inception, only options have been granted under the 2008 Equity Plan.

Non-Employee Directors' Equity Plan: This plan permits grants of stock options, restricted stock, SARs, and other share based awards to members of the Board of Directors who are not full or part time officers or employees of the Company. The plan is administered by the Board. The number of shares available for issuance under the plan is equal to the sum of 500,000, the aggregate number of shares subject to the converted options, and the aggregate number of shares subject to the replacement deferred stock units. Any shares covered by an award other than options, SARs, converted options, and replacement deferred stock units are counted against this limit as two shares for every one share covered by the award. No awards will be granted after the termination of the plan, the tenth year after the Spin-off, unless extended by share-holder approval. Since the plan's inception, options, deferred stock units, and restricted stock units have been issued under the plan.

Directors' Stock Accumulation Plan ("DSAP"): Each non-employee director under this plan will receive an allocation of DSAP units equal to 50% of the annual retainer currently in effect, divided by the average of the high and low per share quoted sale prices of Holdings' common stock on the first trading date in June as reported on the New York Stock Exchange Composite Transaction Tape. Additional DSAP units will be credited to a participant's account in respect of cash dividends paid on Holdings' common stock based upon the DSAP's formula for accrual. DSAP units credited to a director's account under the plan will vest one year from their grant date, or, if earlier, upon the director's termination of service or upon a change in control. Upon a participant's termination of service, a distribution of shares of Holdings common stock equal to the number of DSAP units allocated to such director's account generally will be made in a single lump sum distribution; however, a participant will be permitted to elect, in accordance with the plan, to receive a distribution in up to 10 equal annual installments. Under the plan, 100,000 units are authorized for distribution to Directors; however, no awards will be granted after the termination of the DSAP on October 1, 2018, unless extended by shareholder approval. As of December 31, 2008, no units under the DSAP have been granted.

Key Employees' Deferred Compensation Program ("Program"): Following the Spin-off, the Company adopted a deferred compensation program in which certain Company executives participate. It is similar to the program under BCO in which the same Company executives participated. Account balances of Company executives in the BCO's Key Employees' Deferred Compensation Program were transferred to the Company's Program and converted into units representing shares of the Company's common stock, using a conversion ratio that preserved the value of the units based on the respective prices of the Company's common stock and BCO's common stock at the Spin-off. Under the Program, all employee deferrals, matching contributions, and dividend equivalents are subsequently converted into units. Units credited to the employee's account are distributed at a later date such that one unit equals one share of the Company's common stock. The amounts of deferrals are converted into units based on the average of the high and low of common stock in the deferral period or, in some cases, the month following the deferral period. There is no limit to the number of units that can be credited to employees who participate in the Program. However, no awards will be granted after the termination of the Program, the tenth year after the Spin-off, unless extended by shareholder approval. At December 31, 2008, the plan held 41,924 common stock units of the Company on behalf of participating employees.

As of December 31, 2008, there were approximately 1.3 million shares underlying share-based plans that are authorized, but not yet granted.

Non-vested Share Activity

During 2008, the Company's directors were issued deferred and restricted stock units under the Non-Employee Directors' Equity Plan. In connection with the Spin-off, deferred stock units granted under any of BCO's equity incentive plans held by directors transferring from BCO to Holdings were cancelled and replaced with deferred stock units in Holdings' common stock determined by multiplying the number of shares of BCO's common stock subject to such BCO's deferred stock units immediately prior to the Spin-off by a conversion

Table of Contents

ratio. Each deferred stock unit of Holdings has the same terms and conditions as were applicable under the corresponding BCO deferred stock unit.

The deferred stock units and restricted stock units issued in 2008 vest over one year or upon certain conditions resulting in termination of service. The fair value of the awards is determined based on the average high and low stock price at the date of grant. For restricted stock units, the fair market value of the award at time of grant is amortized to expense over the period of vesting while the fair market value of deferred stock units are expensed immediately.

The table below summarizes the activity for deferred and restricted stock units under the Non-Employee Director's Equity Plan for the Company subsequent to the Spin-off as of December 31, 2008.

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value ^(c)
Balance as of January 1, 2008	—	—
Replaced units at Spin-off ^(a)	11	\$ 28.36
Granted by the Company ^(b)	29	15.75
Balance as of December 31, 2008	<u>40</u>	<u>\$ 19.10</u>

(a) Represents replaced deferred stock units at the Spin-off.

(b) Represents restricted stock units granted to directors.

(c) The fair value of the restricted stock units was determined at the time of grant and was based on the average of the high and low per share quoted sales prices of the Company's stock at grant date, as reported on the New York Stock Exchange. The fair value of the replaced deferred stock units was based on the average of the high and low per share quoted sales price of BCO's stock, as reported on the New York Stock Exchange, adjusted by a conversion ratio at Spin-off.

The aggregate intrinsic value of outstanding deferred stock units and restricted stock units as of December 31, 2008 was \$0.2 million and \$0.6 million, respectively.

Table of Contents**Option Activity**

The table below summarizes the activity in all plans for option grants by BCO prior to Spin-off and by the Company subsequent to the Spin-off as of December 31, 2008.

	Shares (in thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Option activity under BCO's equity plans prior to Spin-off				
Outstanding at December 31, 2006	287	\$ 40.60		
Granted	110	63.72		
Exercised	(100)	30.76		
Forfeited	—	—		
Outstanding at December 31, 2007	297	52.50		
Granted	118	64.18		
Exercised	(50)	37.00		
Forfeited	(2)	63.72		
Outstanding at October 31, 2008	363	58.41		
Option activity under the Company's plans subsequent to the Spin-off				
Replaced non-employee director options	59	26.17		
Converted options issued by the Company at Spin-off to preserve intrinsic value	446	26.17		
Granted	282	19.06		
Exercised	—	—		
Forfeited	—	—		
Outstanding at December 31, 2008	1,150	\$ 24.42	4.9	\$ 1.4
Options of the Company, as of December 31, 2008:				
Exercisable	366	\$ 23.51	4.1	\$ 0.6
Expected to vest in future periods ^(a)	730	25.23	5.2	0.7

(a) The number of options expected to vest takes into account an estimate of expected forfeitures.

The Company's options are granted with an exercise price not less than the average quoted market price of the Company's stock on the date of grant. All grants to employees of the Company in the last three years under BCO's 2005 Equity Incentive Plan have a maximum term of six years and either vest over three years from the date of grant or vest 100% at the end of the third year. Options granted under the 2005 Plan continue to vest if an employee retires under one of BCO's pension plans. Under the Company's 2008 Equity Plan, options granted have a maximum term of six years. Options granted under the Company's Plan vest 100% at the end of the third year.

The intrinsic value of a stock option is the difference between the market price of the shares underlying the option and the exercise price of the option. Prior to the Spin-off, the total intrinsic value of BCO's options exercised by the Company's employees for the years ended December 31, 2008, 2007, and 2006 was \$1.6 million (\$32.50 per share), \$3.3 million (\$32.43 per share), and \$1.5 million (\$30.71 per share), respectively. No Company options were exercised from the date of Spin-off through December 31, 2008.

There were 80,000 shares underlying exercisable BCO options held by employees of the Company with a weighted-average exercise price of \$42.61 per share at December 31, 2007, and 77,668 shares underlying exercisable options held by employees of the Company with a weighted-average exercise price of \$28.93 per share at December 31, 2006.

Table of Contents

Method and Assumptions Used to Estimate Fair Value of Options

The fair value of each stock option grant was estimated at the date of grant using the Black-Scholes option-pricing model. If a different option-pricing model had been used, results may have been different.

The weighted average assumptions BCO used in the Black-Scholes option pricing model are shown below for the years ended December 31, 2006 and 2007, and January — October 2008, prior to the Spin-off. The weighted average assumptions the Company used is shown for November and December 2008, subsequent to the Spin-off from BCO.

Expected stock price volatility was calculated based on the historical volatility from the stock of a composite of peers, derived from exchange traded options on that same composite of peers. The average expected life was based on the simplified method under SEC Staff Accounting Bulletin 110, *Share-based Payment*, for newly public companies. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The expected annual dividend per share was based on the Company's expected dividend rate.

	Options Granted			
	December 31,			
	Nov. – Dec. 2008	Jan. – Oct. 2008	2007	2006
Number of shares underlying options, in thousands	282	118	110	107
Weighted-average exercise price per share	\$19.06	64.18	63.72	55.09
Assumptions used to estimate fair value:				
Expected dividend yield:				
Weighted-average	n/a ^(a)	0.6%	0.6%	0.5%
Range	n/a ^(a)	0.6%	0.6%	0.5%
Expected volatility:				
Weighted-average	34%	26%	26%	31%
Range	34%	26%	26%	31%
Risk-free interest rate:				
Weighted-average	1.4%	2.7%	4.9%	5%
Range	1.4%	2.4%-3.0%	4.9%	5.0%-5.1%
Expected term in years:				
Weighted-average	4.5	3.2	3.2	3.7
Range	3-6	2.1-4.1	2.1-4.1	2.7-4.7
Weighted-average fair value estimates at grant date:				
In millions	\$1.6	1.6	1.6	1.7
Fair value per share	\$5.74	13.20	14.66	16.33

^(a) Options granted by the Company during November and December 2008 assumed a zero expected dividend yield as the Company has not declared any dividends as of December 31, 2008.

Share-based Compensation Expense

The components of share-based compensation expense are presented below:

(In millions)	December 31,		
	2008	2007	2006
Plans sponsored by BCO	\$1.8	1.6	1.2
Deferred compensation plan sponsored by BCO	0.2	0.3	0.2
Holdings stock options, restricted and deferred stock units	0.6	—	—
Holdings deferred compensation ^(a)	0.1	—	—
Total	\$2.7	1.9	1.4

^(a) Refer to the "Share-based Plans" section of this note for further information regarding deferred compensation.

Table of Contents

The compensation expense recognized is net of estimated forfeitures. Forfeitures are estimated based on historical termination behavior, as well as an analysis of actual option forfeitures.

As of December 31, 2008, there was \$3.1 million of total unrecognized compensation cost related to non-vested Company share options granted under the Company's share option plans. The cost is expected to be recognized over a weighted-average period of 2.3 years. For restricted stock units, there was \$0.4 million of total unrecognized compensation cost expected to vest over the weighted-average period of 0.87 years as of December 31, 2008.

Note 12 — Pro Forma Earnings Per Share

For 2008, basic earnings per share ("EPS") is computed on a pro forma basis by dividing net income by the weighted average number of common shares outstanding during the two month post Spin-off period beginning November 1, 2008 and ending December 31, 2008. Diluted EPS is calculated in a similar manner, but includes the dilutive effect of actual stock options, restricted stock units, and other equity-based awards outstanding as of December 31, 2008. To the extent these securities are anti-dilutive, they are excluded from the calculation of diluted earnings per share. The dilutive impact for 2008 was not material.

Prior to the Spin-off, no common stock of Holdings and none of Holdings' equity awards were outstanding for these periods. Basic and diluted earnings per share for the years ended December 31, 2007 and 2006 were computed on a pro forma basis using the average number of shares of the Company's common stock outstanding from October 31, 2008 to December 31, 2008. The number of diluted shares used in the calculation for 2007 and 2006 is based on the number of shares of the Company's common stock outstanding plus the estimated potential dilution that could have occurred if options granted under the Company's equity-based compensation arrangements were exercised or converted into the Company's common stock.

	December 31,		
	2008	2007	2006
<i>(in millions, except EPS)</i>			
Earnings:			
Net income	<u>\$57.1</u>	<u>\$44.2</u>	<u>\$36.3</u>
Shares:			
Weighted average common shares outstanding	<u>45.8</u>	45.8	45.8
Adjustment for assumed dilution —			
Stock options and restricted stock awards	<u>—</u>	0.1	0.1
Weighted average common shares outstanding and common stock equivalents	<u>45.8</u>	<u>45.9</u>	<u>45.9</u>
Earnings per share:			
Basic	<u>\$1.25</u>	\$0.96	\$0.79
Diluted	<u>1.25</u>	0.96	0.79

Note 13 — 401(k) Plan

In connection with the Spin-off on October 31, 2008, BCO transferred to the Company's 401(k) plan an amount equal to the account balances of the Company's employees and former employees in the BCO 401(k) plan. Each of the Company's participating employees was credited for all service accrued with BCO prior to such transfer for all purposes under the Company's 401(k) plan.

The Company's 401(k) plan allows eligible employees to contribute a portion of their pretax income in accordance with specified guidelines. The Company matches \$1.25 for each \$1.00 an employee contributes to the plan up to 5% of salary. The Company recognized costs of \$6.0 million, \$6.2 million, and \$5.6 million for the years ended December 31, 2008, 2007, and 2006, respectively, related to the contributions made by the Company to the BCO and the Company's 401(k) plans.

Table of Contents

As of the Spin-off date, BCO retained all assets and liabilities arising out of or relating to the qualified and non-qualified BCO defined benefit pension plans, and will make required payments under such plans to the Company's current or former employees. For purposes of the vesting provisions of the BCO defined benefit pension plans, Company employees will continue to be treated as employees of BCO while employed by the Company following the Spin-off.

Note 14 — Credit Agreement

On October 21, 2008, the Company entered into a four-year unsecured \$75 million revolving credit facility with a syndicate of lenders with JPMorgan Chase Bank, N.A. as administrative agent ("Credit Facility"). The Company has the option, under certain conditions, to increase the commitment by up to \$50 million, not to exceed \$125 million in the aggregate. The Credit Facility is available for general corporate purposes, including the issuance of letters of credit of up to \$15 million.

The Credit Facility agreement includes a requirement that the Company maintain: (i) a Leverage Ratio (as defined in the Credit Facility agreement) of no more than 2.5 to 1.0 as of the last day of each fiscal quarter, measured on a trailing four-quarters basis, and (ii) a Fixed Charge Coverage Ratio (as defined in the Credit Facility agreement) of at least 2.0 to 1.0 for each period of four consecutive fiscal quarters. As of December 31, 2008, the Company had a leverage ratio of 0.01 to 1.0 and a fixed charge coverage ratio of 13.4 to 1.0, both of which were in compliance with the Credit Facility agreement.

The pricing on the Credit Facility is based on, generally at the Company's discretion, the greater of the Prime Rate or the Federal Funds Rate plus one-half of one percent, or LIBOR, plus an adjustment based on the Company's leverage ratio, as defined in the Credit Facility agreement. The Company is charged a commitment fee of between 0.25% and 0.35% on the unused portion of the facility, also tiered based on the Company's leverage ratio.

For the year ended December 31, 2008, no borrowings have been made under the Credit Facility, but the Company has used the Credit Facility to issue letters of credit totaling \$2.7 million.

Note 15 — Guarantor Information

Brink's Home Security, Inc. (a 100% wholly-owned subsidiary of Brink's Home Security Holdings, Inc., the "Issuer"), has fully and unconditionally guaranteed, on a joint and several basis with any additional guarantor, the obligation to pay any amounts due on the Credit Facility described above. Substantially all of the Issuer's operating income and cash flow is generated by its subsidiaries. As a result, funds necessary to meet the Issuer's obligations under the Credit Facility are provided by distributions or advances from its subsidiaries. The financial condition and operating requirements of the Issuer's subsidiaries could limit the Issuer's ability to obtain cash from its subsidiaries for the purpose of meeting its debt service obligations, including the payment of principal and interest on the Credit Facility.

Note 16 — Commitments and Contingencies

Insurance

The Company expects to file insurance claims related to property damage and business interruption insurance coverage for losses sustained from Hurricane Ike which occurred in mid-September 2008. As of December 31, 2008, the Company had recorded \$0.7 million for estimated losses incurred. The total range of loss, including future lost contractual revenues and excluding any potential insurance recovery, is estimated to be between \$0.8 and \$1.1 million. Claims for lost revenues under business interruption coverage will be recognized as operating income when the claims are settled. Management does not currently expect the impact of the hurricane to be material to the Company's financial position or results of operations.

Table of Contents

Joint and Several Liability with BCO

Under the *Coal Industry Retiree Health Benefit Act of 1992*, as amended (the "Health Benefit Act"), BCO and its majority-owned subsidiaries at July 20, 1992, including certain material subsidiaries of the Company, are jointly and severally liable with certain of BCO's other current and former subsidiaries for approximately \$256.8 million of health care coverage obligations provided for by the Health Benefit Act as of December 31, 2008. A Voluntary Employees' Beneficiary Associate trust has been established by BCO to pay for these liabilities, although the trust may not have sufficient funds to satisfy the obligations. None of this amount has been reflected as a liability in these consolidated financial statements. The Company entered into an agreement with BCO pursuant to which BCO has indemnified the Company for any and all liabilities and expenses related to BCO's former coal operations, including any health care coverage obligations.

Legal Proceedings

The Company is involved in various lawsuits and claims in the ordinary course of business. The Company has recorded accruals for losses that are considered probable and reasonably estimable. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity or financial position; however, losses from these matters or changes in estimates of losses for these matters may result in income or expense in any one accounting period that is material in comparison to the earnings of that period.

Commitments

As disclosed in Note 8, the Company has operating lease obligations for most of its facilities, vehicles, and machinery and equipment totaling approximately \$25.1 million.

As stated in Note 14, the Company has letters of credit of \$2.7 million issued under the Credit Facility as of December 31, 2008. The Company is obligated to pay an annual commitment fee of \$0.2 million related to the Credit Facility for the years 2009-2012.

The Company also has a contractual obligation of \$1.0 million to a marketing firm to help launch the Company's new brand in 2009.

Note 17 — Geographical Information

Revenues by country for the twelve months ended December 31, 2008, 2007, and 2006 were as follows:

(In millions)

	December 31,		
	2008	2007	2006
United States	\$524.3	\$477.1	\$432.8
Canada	8.0	7.3	6.2
Total	<u>\$532.3</u>	<u>\$484.4</u>	<u>\$439.0</u>

No single customer represents more than 10% of total revenue.

As of December 31, 2008 and 2007, long-lived assets, consisting of property and equipment, net, and deferred charges by country were as follows:

	December 31,	
	2008	2007
United States	\$730.9	\$674.0
Canada	12.1	15.2
Total	<u>\$743.0</u>	<u>\$689.2</u>

Table of Contents

Net liabilities related to the Canadian operations totaled \$2.2 million as of December 31, 2008 and \$2.6 million at December 31, 2007.

Note 18 — Selected Quarterly Financial Data (unaudited)

(In millions, except per share amounts)	2008 Quarters				2007 Quarters			
	1 st (a)	2 nd	3 rd	4 th	1 st (a)	2 nd	3 rd	4 th
Revenues	\$127.9	\$133.8	\$135.4	\$135.2	\$114.7	\$119.4	\$124.3	\$126.0
Cost of revenues	69.9	72.9	76.3	67.9	63.7	67.5	70.4	70.3
Selling, general, and administrative expenses	36.7	36.1	36.9	41.2	33.4	33.7	39.9	37.3
Operating profit	21.3	25.2	22.8	24.7	18.4	20.8	14.8	19.0
Net income	13.0	15.3	14.0	14.8	11.1	12.8	8.1	12.2
Pro forma earnings per common share:								
Basic:	\$ 0.28	\$ 0.33	\$ 0.31	\$ 0.32	\$ 0.24	\$ 0.28	\$ 0.18	\$ 0.27
Diluted:	0.28	0.33	0.30	0.32	0.24	0.28	0.18	0.27

(a) A reclassification was made to properly classify all amortization and impairment charges related to deferred subscriber acquisition costs in cost of revenues, in accordance with the Company's accounting policy as stated in Note 1 to the consolidated financial statements. Amounts were reclassified for the first quarter of 2007 and 2008 from previously reported amounts. This reclassification had no effect on operating profit or net income for any period presented. The Company has concluded that these items were not material to any period.

Table of Contents**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES***Management's Annual Report on Internal Control over Financial Reporting***

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies. In the Company's Annual Report on Form 10-K for the year ending December 31, 2009, management and the Company's independent registered public accounting firm will be required to provide an assessment as to the effectiveness of the Company's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, the Company carried out an evaluation, with the participation of the Company's management, including the oversight of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The Company has adopted a Business Code of Ethics that applies to all of the directors, officers, and employees (including the Chief Executive Officer, Chief Financial Officer and Controller) and has posted the Code on the Company's website. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments or waivers from any provision of the Business Code of Ethics applicable to the Chief Executive Officer, Chief Financial Officer, and Controller by posting this information on the Company's website at <http://www.investors.brinkshomesecurity.com>.

The information required by Item 10 with respect to the Company's executive officers is included in Part 1 of this report. The remainder of the information required by Item 10 is incorporated by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after December 31, 2008.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after December 31, 2008.

Table of Contents**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

The information required by Item 12 is incorporated by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after December 31, 2008.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after December 31, 2008.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after December 31, 2008.

Table of Contents**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*****Financial Statement Schedules***

The financial statements included in this report are listed on page 41 of this report. Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instructions or inapplicable.

Exhibits

The exhibits required to be furnished pursuant to Item 15 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Brink's Home Security Holdings, Inc.
Registrant

By /s/ Robert B. Allen
Robert B. Allen

March 31, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
John S. Brinzo*	Director	March 31, 2009
Lawrence J. Mosner*	Director	March 31, 2009
Carl S. Sloane*	Chairman	March 31, 2009
Carroll R. Wetzel, Jr.*	Director	March 31, 2009
Michael S. Gilliland*	Director	March 31, 2009
 <u>/s/ Robert B. Allen</u> Robert B. Allen	 Director, President and Chief Executive Officer (principal executive officer)	 March 31, 2009
 <u>/s/ Stephen C. Yevich</u> Stephen C. Yevich	 Senior Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	 March 31, 2009

*By /s/ John S. Davis
(John S. Davis, Attorney-in-Fact)

Table of Contents**EXHIBIT INDEX**

Exhibit Number	Description
2.1	Separation and Distribution Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 2.1 to the Registrant's Amendment No. 3 on Form 10 Registration Statement filed September 25, 2008)
3.1	Amended and Restated Articles of Incorporation of the Registrant. (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Amendment No. 3 to Form 10 filed September 25, 2008)
3.2	Amended and Restated Bylaws of the Registrant. (Incorporated herein by reference to Exhibit 3(ii) to the Registrant's Current Report on Form 8-K filed November 19, 2008)
10.1	Transition Services Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
10.2	Brand Licensing Agreement between the Registrant and Brink's Network, Incorporated dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
10.3	Non-Competition and Non-Solicitation Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.5 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
10.4	Employee Matters Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.4 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.5	Tax Matters Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Amendment No. 2 to Form 10 filed August 14, 2008)
10.6*	Key Employees' Deferred Compensation Program, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.7 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.7*	Management Performance Improvement Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.8 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.8*	Key Employees Incentive Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.11 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.9*	Directors' Stock Incentive Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.10 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.10*	Plan for Deferral of Directors' Fees, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.12 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.11	Form of Change in Control Agreement entered into by the Registrant with certain of its executives. (Incorporated herein by reference to Exhibit 10.13 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)
10.12*	2008 Equity Incentive Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.6 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)

Table of Contents

<u>Exhibit Number</u>	<u>Description</u>
10.13*	Non-Employee Directors' Equity Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.9 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
10.14*	Directors' Stock Accumulation Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
10.15	Form of Indemnification Agreement entered into by the Registrant with its directors and officers. (Incorporated herein by reference to Exhibit 10.14 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
10.16	\$75,000,000 Credit Agreement among the Registrant, as Borrower, Bank of America, N.A., Compass Bank, and Wachovia Bank, National Association as Lenders, JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and Wells Fargo Bank, N.A. as Lender and Syndication Agent, dated as of October 21, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 23, 2008)
10.17*	Form of Option Agreement for options granted under 2008 Equity Incentive Plan.
10.18*	Form of Award Agreement for restricted stock units granted under Non-Employee Directors' Equity Plan.
10.19*	Form of Award Agreement for deferred stock units granted under Non-Employee Directors' Equity Plan.
21	Current List of Subsidiaries of Registrant. (Incorporated herein by reference to Exhibit 21 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008)
23	Consent of Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement.

APPENDIX B

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

BRINK'S NETWORK, INCORPORATED)	
)	
Opposer)	
)	
v.)	Opposition No. 91164764
)	
THE BRINKMANN CORPORATION)	
)	
Applicant)	

OPPOSER'S ANSWERS TO APPLICANT'S
AMENDED FIRST SET OF INTERROGATORIES

Opposer Brink's Network, Incorporated responds as follows to Applicant's Amended First Set of Interrogatories. The following answers are submitted to the extent that Applicant's Amended First Set of Interrogatories are understood and are based on information available at the present time. Opposer reserves the right to supplement its answers at such time as additional information, documents and facts come to its attention as a result of further case investigation, discovery or otherwise.

GENERAL OBJECTIONS

Opposer asserts the following general objections in addition to the specific objections stated in response to particular interrogatories:

(1) By supplying information responsive to each interrogatory, Opposer does not concede the relevance, materiality, or admissibility of such documents or information, and reserves all objections thereto.

(2) Opposer objects to each interrogatory to the extent that they purport to require the disclosure of communications, documents or information prepared in anticipation of

litigation, protected by the work product doctrine or subject to a claim of privilege, including, without limitation, the attorney-client privilege. Opposer hereby claims such privileges and protections to the extent implicated by each interrogatory and excludes privileged and protected information from its responses to each interrogatory. Any disclosure of such protected or privileged information is inadvertent and is not intended to waive those privileges and protections.

INTERROGATORY NO. 1:

Please identify with specificity all goods and services that Opposer provides under the Brink's Marks.

ANSWER:

Opposer objects to Interrogatory No. 1 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer states that it uses the following marks pleaded in the Notice of Opposition in connection with the goods and services listed below:

- (1) BRINK'S HOME SECURITY
 - (a) Security alarm and monitoring system services.
- (2) BRINKS HOME SECURITY & Design
 - (a) Residential and commercial metal safes, keyed and combination metal locks.
 - (b) Non-metal residential and commercial safes.

(3) BRINK'S

- (a) Security Transportation, namely, armored car transport services of currency, securities, and other valuables; domestic and international air courier services; air transport and air freight of goods.
- (b) Intrusion detection computer hardware and software for detecting and indicating undesirable Internet signals and communications prior to entry to a customer's computer network.
- (c) Monitoring signals from computer network intrusion detection systems.

(4) BRINKS & Design

- (a) Security alarm and monitoring system services.
- (b) Intrusion detection computer hardware and software for detecting and indicating undesirable Internet signals and communications prior to entry to a customer's computer network.
- (c) Monitoring signals from computer network intrusion detection systems.
- (d) Coin processing and wrapping and change services; payroll preparation and consolidation of deposits for others; cash maintenance of bank automatic teller stations; food stamp distribution services; selling tickets and handling proceeds from conventions, exhibits and performances for others.
- (e) Receiving and cashing checks for others.
- (f) Security transportation, namely, armored car transport services of currency, securities and other valuables, domestic and international air courier services.

(5) BRINK'S (Stylized)

- (a) Receiving checks, cashing the same, making up payrolls, carrying same or other moneys or securities, guarding and protecting same and paying payrolls, handling clearings, selling tickets, handling proceeds from conventions, exhibitions, and performances, repairing safes, chests, cash protectors, and similar equipment.

INTERROGATORY NO. 2:

For each good or service identified in Interrogatory No. 1 above, please identify the date of first use and date of first use in commerce.

ANSWER:

The dates of first use of each mark for the goods and services identified in the Answer to Interrogatory No. 1 are listed below:

(1) BRINK'S HOME SECURITY

- (a) Security alarm and monitoring system services. The date of first use and date of first use in commerce is April, 1984.

(2) BRINKS HOME SECURITY & Design

- (a) Residential and commercial metal safes, keyed and combination metal locks. The date of first use and date of first use in commerce is July 24, 1997.
- (b) Non-metal residential and commercial safes. The date of first use and date of first use in commerce is July 24, 1997.

(3) BRINK'S

- (a) Security Transportation, namely, armored car transport services of currency, securities, and other valuables; domestic and international

air courier services; air transport and air freight of goods. The date of first use and date of first use in commerce is January 1, 1912.

(b) Intrusion detection computer hardware and software for detecting and indicating undesirable Internet signals and communications prior to entry to a customer's computer network. The date of first use and date of first use in commerce is January, 2001.

(c) Monitoring signals from computer network intrusion detection systems. The date of first use and date of first use in commerce is January, 2001.

(4) BRINKS & Design

(a) Security alarm and monitoring system services. The date of first use and date of first use in commerce is November, 1983.

(b) Intrusion detection computer hardware and software for detecting and indicating undesirable Internet signals and communications prior to entry to a customer's computer network. The date of first use and date of first use in commerce is January, 2001.

(c) Monitoring signals from computer network intrusion detection systems. The date of first use and date of first use in commerce is January, 2001.

(d) Coin processing and wrapping and change services; payroll preparation and consolidation of deposits for others; cash maintenance of bank automatic teller stations; food stamp distribution services; selling tickets and handling proceeds from conventions, exhibits and performances for others. The date of first use and date of first use in commerce is April, 1981.

- (e) Receiving and cashing checks for others. The date of first use and date of first use in commerce is April, 1981.
- (f) Security transportation, namely, armored car transport services of currency, securities and other valuables, domestic and international air courier services. The date of first use and date of first use in commerce is April, 1981.

(5) BRINK'S (Stylized)

- (a) Receiving checks, cashing the same, making up payrolls, carrying same or other moneys or securities, guarding and protecting same and paying payrolls, handling clearings, selling tickets, handling proceeds from conventions, exhibitions, and performances, repairing safes, chests, cash protectors, and similar equipment. The date of first use and date of first use in commerce is January, 1912.

INTERROGATORY NO. 3:

Please identify Opposer's personnel who are most knowledgeable with respect to the use of the Brink's Marks in connection with the Brink's Products and Services identified in the Notice of Opposition.

ANSWER:

The person who is most knowledgeable with respect to the use and promotion of the marks pleaded in the Notice of Opposition is:

Mr. Dwayne R. Sigler
Senior Vice President of Marketing
Brink's Home Security
8880 Esters Boulevard
Irving, Texas 75063

INTERROGATORY NO. 4:

Please describe in full detail the history of use of the Brink's Marks in the United States by Opposer from the first use of the Brink's Marks to the present.

ANSWER:

Opposer objects to Interrogatory No. 4 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and not reasonably calculated to lead to the discovery or admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer states as follows: Opposer's related company Brink's Inc. was founded as a delivery company in 1859 and began making payroll deliveries in 1891. Approximately 9 years later in 1900, Brink's Inc. made its first bank shipment.

In 1912, Brink's Inc. made first use of the mark BRINK'S in connection with the following services: security transportation, namely, armored car transport services of currency, securities, and other valuables; domestic and international air courier services; air transport and air freight of goods; receiving checks, cashing the same, making up payrolls, carrying same or other moneys or securities, guarding and protecting same and paying payrolls, handling clearings, selling tickets, handling proceeds from conventions, exhibitions, and performances, repairing safes, chests, cash protectors, and similar equipment.

Brink's Inc. opened its first branch outside Chicago, in Cleveland, Ohio, in 1918. From 1918 through 1932, Brink's Inc. opened branches in 48 additional cities.

During World War II, BRINKS armored vehicles were used to promote the sale of war bonds. Brink's Inc. developed into the world's largest armored-car company, providing services to private businesses, banks, the Federal Reserve, and U.S. government mints.

Opposer's related company The Brink's Company ("TBC") was founded in January, 1930 under the name The Pittston Company. The Pittston Company purchased Brink's Inc. in 1962, at which time Brink's Inc. became a wholly owned subsidiary of The Pittston Company. Under the direction of The Pittston Company, Brink's Inc. expanded its business to include coast-to-coast air-courier service rendered under the mark BRINK'S and established subsidiaries overseas.

Opposer's related company Brink's Home Security was established in 1983 and commenced use of the marks BRINK'S and BRINK'S HOME SECURITY in connection with security alarm and monitoring system services. Beginning in 1997, the marks BRINK'S and BRINK'S HOME SECURITY were used in connection with residential and commercial metal safes, keyed and combination metal locks, and non-metal residential and commercial safes.

Opposer's related companies established "over-the-road" services from Salt Lake City, Utah in 1985, the BRINK'S COMPUSAFE service in 1995, and Brink's Cash Logistics in 2001.

The mark BRINK'S also was used in connection with intrusion detection computer hardware and software for detecting and indicating undesirable Internet signals and communications prior to entry to a customer's computer network and monitoring signals from computer network intrusion detection systems, as early as January 2001.

In 2002, Brink's celebrated its 143rd anniversary by deploying 51,775 employees and 7,491 armored trucks worldwide.

In 2003, Brink's established Brink's Document Destruction Service. Later that year, The Pittston Company changed its name to The Brink's Company. In 2005, Brink's Inc. began providing a full suite of secure data services, including data protection, data transfer and data destruction. In 2007, Brink's expanded the BRINK'S COMPUSAFE service to

include the new, Windows-based 3000 and 4000 which feature innovative enhancements and provide enhanced cash management.

INTERROGATORY NO. 5:

Please describe in full detail any instances in which the use of any Brink's Mark was ever discontinued or interrupted.

ANSWER:

Opposer has continuously used the marks BRINKS and BRINK'S in a variety of forms, alone and in combination with other words and/or designs, in connection with commercial and residential security systems and related alarm and monitoring services since their adoption.

INTERROGATORY NO. 6:

Please state the annual dollar amount of sales in the United States of the Brink's Products and Services under the Brink's Marks since the date on which the first such product or service was introduced.

ANSWER:

Opposer objects to Interrogatory No. 6 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer previously produced The Brink's Company annual reports from 1983 to the present which include information related to the annual sales of residential and commercial security systems and related alarm and monitoring services in connection with the marks pleaded in the Notice of Opposition.

INTERROGATORY NO. 7:

Please describe in full detail all advertising and/or promotion in the United States of the Brink's Products and Services under the Brink's Marks.

ANSWER:

Opposer objects to Interrogatory No. 7 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer states that its goods sold and services rendered under the marks pleaded in the Notice of Opposition have been advertised and promoted through print advertisements, brochures, press releases, billboards, banners, posters, television commercials, radio commercials and the Internet.

INTERROGATORY NO. 8:

Please state the annual dollar amount spent by or on behalf of Opposer in the United States on advertising and/or promoting the Brink's Products and Services under the Brink's Marks since the date on which the first such product or service was introduced.

ANSWER:

Opposer objects to Interrogatory No. 7 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer previously produced information related to advertising expenditures in connection with its commercial and residential security systems and related alarm and monitoring services. These documents are marked Trade Secret and Commercially Sensitive.

INTERROGATORY NO. 9:

Please describe in full detail the channels of distribution for the Brink's Products and Services offered for sale under Opposer's Brink's Marks.

ANSWER:

Opposer objects to Interrogatory No. 9 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer has produced The Brink's Company annual reports from 1983 to the present which describe the channels of distribution of the goods and services sold and rendered in connection with the marks pleaded in the Notice of Opposition.

INTERROGATORY NO. 10:

Please describe in full detail the demographics of the purchasers and/or prospective purchasers for each of the Brink's Products and Services offered for sale under the Brink's Marks.

ANSWER:

Opposer objects to Interrogatory No. 10 to the extent it seeks information pertaining to marks that have not been asserted in the Notice of Opposition on the ground that the information sought with respect to these marks is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer sells goods and renders services under marks pleaded in the Notice of Opposition to the general public and commercial customers. Opposer has produced The Brink's Company annual reports from 1983 to the present which describe the demographics of the purchasers and/or prospective

purchasers of Opposer's goods and services sold and rendered in connection with the marks pleaded in the Notice of Opposition.

INTERROGATORY NO. 11:

Please describe in full detail each grant of rights, such as assignments or licenses, ever made in or to Opposer's Brink's Marks.

ANSWER:

Opposer objects to Interrogatory No. 11 on the ground that it is unduly broad and unreasonably burdensome and, if answered, will result in the identification and production of numerous documents that are irrelevant to the issues in this proceeding and not reasonably calculated to lead to the discovery of admissible evidence.

Without waving or prejudicing the foregoing objection, Opposer states:

- (1) Opposer previously produced printouts from the online records of the U.S. Patent and Trademark Office available at www.uspto.gov for each application filed by Opposer's predecessors in interest and pleaded by Opposer in its Notice of Opposition.
- (2) Opposer has not used the registrations pleaded in the Notice of Opposition as collateral for any loans or other financial arrangements and no security interests have been granted against the pleaded registrations.
- (3) Opposer previously produced the relevant licenses and agreements.

INTERROGATORY NO. 12:

Please describe in full detail Opposer's earliest knowledge of Brinkmann.

ANSWER:

Opposer objects to Interrogatory No. 12 to the extent it seeks information related to Opposer's earliest knowledge of Brinkmann in connection with goods and services unrelated to the home security systems and components therefor that are the subject of this

proceeding on the ground that such information is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer states that it first learned of Brinkmann's use of the mark BRINKMANN in connection with home security systems and components therefore on or about October 19, 2004.

INTERROGATORY NO. 13:

Please describe in full detail Opposer's earliest knowledge of any Brinkmann Products.

ANSWER:

Opposer objects to Interrogatory No. 13 to the extent it seeks information related to Opposer's earliest knowledge of use of the mark BRINKMANN in connection with goods unrelated to the home security systems and components therefor that are the subject of this proceeding on the ground that such information is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer states that it first learned of Brinkmann's use of the mark BRINKMANN in connection with home security systems and components therefor on or about October 19, 2004.

INTERROGATORY NO. 14:

Please describe in full detail Opposer's earliest knowledge of any application to register or registration by Brinkmann of the Brinkmann Mark.

ANSWER:

Opposer objects to Interrogatory No. 14 to the extent it seeks information related to any application or registration of the mark BRINKMANN that is not the subject of this proceeding on the ground that such information is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

Without waiving or prejudicing the foregoing objection, Opposer states that it first learned of Brinkmann's application seeking registration of the mark BRINKMANN in connection with home security systems and components therefor on or about October 19, 2004.

INTERROGATORY NO. 15:

Please describe in full detail all investigations, if any, ever conducted by or on behalf of Opposer of Brinkmann's use of the Brinkmann Mark.

ANSWER:

An investigation of Applicant's use of the mark BRINKMANN in connection with home security products was conducted on or about November 1, 2004.

INTERROGATORY NO. 16:

Please describe in full detail all communications between Opposer, on the one hand, and any other person on the other hand, concerning the Brinkmann Mark.

ANSWER:

Opposer objects to Interrogatory No. 16 to the extent it seeks information that is the subject of privileged attorney-client and/or attorney work product communications.

Without waiving or prejudicing the foregoing objection, Opposer states that there have been no communications between Opposer, on the one hand, and any person other than legal counsel, on the other hand, concerning the mark BRINKMANN.

INTERROGATORY NO. 17:

Please describe in full detail all reasons for the time that Opposer allowed to pass after learning of the Brinkmann Mark, before Opposer communicated its objection to Brinkmann of the Brinkmann Mark.

ANSWER:

The opposed application was published for opposition on October 5, 2004. Opposer became aware of the opposed application on or about October 19, 2004. Opposer filed a 90-day Request for Extension of Time to Oppose on November 2, 2004, which was granted by the Trademark Trial and Appeal Board.

Opposer considered what action, if any, should be taken with respect to the opposed application. In that regard, Opposer's former counsel Heather Jensen of Cowan, Liebowitz & Latman, P.C. communicated with Susan Hwang, counsel for Brinkmann, regarding the opposed application on January 20, 2005. On that date, Ms. Hwang provided photographs of Brinkmann's products for consideration by Opposer. Thus, Opposer timely filed a Request for Extension of Time within 30 days following publication of the opposed application and communicated directly with Applicant in less than 60 days thereafter.

On January 26, 2005, Ms. Hwang confirmed Brinkmann's consent to a 60-day extension of the deadline for filing an opposition against the subject application. On January 26, 2005, Ms. Jensen filed the Second Request for Extension of Time to Oppose on behalf of Opposer, which was granted by the Trademark Trial and Appeal Board.

Ms. Jensen sent written correspondence to Gary Clark, counsel for Brinkmann, on February 9, 2005 regarding Opposer's objection to Applicant's registration of the mark BRINKMANN in connection with home security systems and components therefor.

INTERROGATORY NO. 18:

Please describe in full detail all instances, if any, of actual confusion between any of Opposer's Brink's Marks, on the one hand, and Brinkmann's Brinkmann Mark, on the other hand.

ANSWER:

Opposer is not aware of any instance of actual confusion arising out of Applicant's use of the mark BRINKMANN which is the subject of this proceeding, but reserves the right to supplement the answer to Interrogatory No. 18 at such time as additional information, documents and facts come to its attention as a result of further case investigation, discovery or otherwise.

INTERROGATORY NO. 19:

Please describe in full detail all instances of any customer complaints concerning any of Opposer's products or services offered under any Brink's Mark.

ANSWER:

Opposer objects to Interrogatory No. 19 on the ground that such information is irrelevant to the issues in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence.

INTERROGATORY NO. 20:

Please describe in full detail all uses, applications to register, and registrations in the United States of any mark incorporating "Brink" by any person other than Brinkmann of which Opposer has ever been aware.

ANSWER:

Opposer has previously produced documents, including watch notices, demand letters and the non-privileged portions of its enforcement and litigation files that are fully responsive to Interrogatory No. 20. Opposer will supplement its prior production with relevant documents responsive to Interrogatory No. 20.

INTERROGATORY NO. 21:

Please describe in full detail all efforts by or on behalf of Opposer to police the use or registration of any mark incorporating "Brink," by any persons in the United States other than Brinkmann.

ANSWER:

Opposer receives information regarding the unauthorized use and registration of the mark BRINK'S and/or BRINKS from a watch service and also from Opposer's employees, consumers and other individuals. Opposer reviews and evaluates the unauthorized use and/or application seeking registration. If action is warranted, Opposer, either directly or through outside counsel, sends a demand letter to the third party at issue to request that the unauthorized use be discontinued and/or application seeking registration be withdrawn.

INTERROGATORY NO. 22:

Please describe in full detail the factual bases for the allegation in paragraph 8 of the Notice of Opposition that Opposer has engaged in "maintenance of premium quality standards."

ANSWER:

Opposer sets the standards for use of the marks BRINKS and BRINK'S, and all other marks pleaded in the Notice of Opposition, and the quality of the commercial and residential security systems sold and related alarm and monitoring services rendered thereunder by its related company Brink's Home Security and other third parties, and controls such use of the marks BRINKS and BRINK'S.

INTERROGATORY NO. 23:

Please describe in full detail the factual bases for the allegation in paragraph 8 of the Notice of Opposition that purchasers "have come to recognize the mark BRINK'S as a singular, highly distinctive indication of origin."

ANSWER:

- (1) Opposer is the owner of Registration Nos. 1,412,587; 2,330,884; 1,309,375; 2,691,470; 1,411,610; 2,646,784; 1,313,790; 529,622, which are each *prima facie* and/or conclusive evidence of the validity, and thus the distinctiveness, of the marks BRINK'S and BRINKS and Opposer's exclusive right to use these marks in commerce.
- (2) Opposer and its licensees have continuously and extensively used and advertised the marks BRINKS and BRINK'S, alone and in combination with other words and/or designs, in connection with commercial and residential security systems and related alarm and monitoring services since 1983.
- (3) The survey entitled Consumer Perceptions of BRINKMANN conducted in connection with the subject proceeding and previously produced to Applicant.

INTERROGATORY NO. 24:

Please describe in full detail the factual bases for the allegation in paragraph 8 of the Notice of Opposition that Opposer has "established valuable good will and exclusive rights" in the mark BRINK'S.

ANSWER:

- (1) Opposer is the owner of Registration Nos. Registration Nos. 1,412,587; 2,330,884; 1,309,375; 2,691,470; 1,411,610; 2,646,784; 1,313,790; 529,622, which are each *prima facie* and/or conclusive evidence of the validity of the marks BRINK'S and BRINKS and Opposer's exclusive right to use these marks in commerce.
- (2) Opposer and its licensees have continuously and extensively used and advertised the marks BRINKS and BRINK'S, alone and in combination with

other words and/or designs, in connection with commercial and residential security systems and related alarm and monitoring services since 1983.

- (3) The survey entitled Consumer Perceptions of BRINKMANN conducted in connection with the subject proceeding and previously produced to Applicant.

INTERROGATORY NO. 25:

Please describe in full detail the factual bases for the allegation in paragraph 9 of the Notice of Opposition that the mark BRINK'S "had become exceedingly well-known and a famous mark...long prior to the filing date of the opposed application."

ANSWER:

- (1) Opposer is the owner of Registration Nos. Registration Nos. 1,412,587; 2,330,884; 1,309,375; 2,691,470; 1,411,610; 2,646,784; 1,313,790; 529,622, which are each *prima facie* and/or conclusive evidence of the validity of the marks BRINKS and BRINK'S and Opposer's exclusive right to use these marks in commerce.
- (2) Opposer and its licensees have continuously and extensively used and advertised the marks BRINK'S and BRINKS, alone and in combination with other words and/or designs, in connection with commercial and residential security systems and related alarm and monitoring services since 1983.
- (3) The survey entitled Consumer Perceptions of BRINKMANN, conducted in connection with the subject proceeding and previously produced to Applicant.

INTERROGATORY NO. 26:

Please describe in full detail the factual bases for the allegation in paragraph 19 of the Notice of Opposition that Opposer's goods and Brinkmann's goods are "commercially related, and are likely sold and/or rendered to the same or overlapping classes of purchasers."

ANSWER:

Opposer objects to Interrogatory No. 26 on the ground it is premature because Opposer has not yet completed its discovery. Opposer reserves the right to supplement its answer to Interrogatory No. 26 at such time as additional information, documents and facts come to its attention as a result of discovery, further case investigation, or otherwise.

Without waiving or otherwise prejudicing the foregoing objection, Opposer states as follows:

- (1) Opposer is the owner of Registration Nos. Registration Nos. 1,412,587; 2,330,884; 1,309,375; 2,691,470; 1,411,610; 2,646,784; 1,313,790; 529,622, which are each *prima facie* and/or conclusive evidence of the validity of the marks BRINKS and BRINK'S and Opposer's exclusive right to use these marks in commerce.
- (2) Opposer and its licensees have continuously and extensively used and advertised the marks BRINKS and BRINK'S, alone and in combination with other words and/or designs, since 1983.
- (3) Opposer's commercial and residential security systems and related alarm and monitoring services, on the one hand, and Applicant's home security systems and components therefor described in the opposed application, on the other hand, are sold and rendered to the general consuming public to satisfy the same or similar consumer needs.

- (4) There is no restriction as to purchasers and/or channels of trade in the description of goods in the opposed application to register the mark BRINKMANN.
- (5) The survey entitled Consumer Perceptions of BRINKMANN, conducted in connection with the subject proceeding and previously produced to Applicant.

INTERROGATORY NO. 27:

Please describe in full detail the factual bases for the allegation paragraph 19 of the Notice of Opposition that "purchasers, prospective purchasers and others are likely to be confused, mistaken or deceived into the belief, contrary to fact, that Applicant's home security systems and components sold under the mark BRINKMANN emanate from and/or are in some way sponsored or approved by Opposer and/or that Applicant is somehow affiliated with Opposer, thereby damaging Opposer."

ANSWER:

- (1) Opposer is the owner of Registration Nos. Registration Nos. 1,412,587; 2,330,884; 1,309,375; 2,691,470; 1,411,610; 2,646,784; 1,313,790; 529,622, which are each *prima facie* and/or conclusive evidence of the validity of the marks BRINKS and BRINK'S and Opposer's exclusive right to use these marks in commerce.
- (2) Opposer and its licensees have continuously and extensively used and advertised the marks BRINKS and BRINK'S, alone and in combination with other words and/or designs, since 1983.
- (3) The marks BRINK'S and BRINKS, alone and/or in combination with other words and design(s), had become famous and well known long prior to the

filing of the opposed application and Applicant's first use of the mark BRINKMAN in connection with home security systems and components.

- (4) Each of the marks BRINKS and BRINK'S, on the one hand, and BRINKMANN, on the other hand, share the first five letters BRINK and, when viewed in their entireties in the relevant marketplace context, are confusingly similar.
- (5) Opposer's commercial and residential security systems and related alarm and monitoring services, on the one hand, and Applicant's home security systems and components therefor described in the opposed application, on the other hand, are sold and rendered to the general consuming public to satisfy the same or similar consumer needs.
- (4) There is no restriction as to purchasers and/or channels of trade in the description of goods in the opposed application to register the mark BRINKMANN.
- (5) The survey entitled Consumer Perceptions of BRINKMANN conducted in connection with the subject proceeding and previously produced to Applicant.

INTERROGATORY NO. 28:

Please describe in full detail the factual bases for the allegation in paragraph 20 of the Notice of Opposition that "Applicant's mark BRINKMANN, as used in connection with the home security systems and components described in the opposed application, so resembles Opposer's previously used and/or registered marks BRINK'S, BRINK'S & Design, BRINK'S (stylized), BRINK'S HOME SECURITY, and BRINK'S HOME SECURITY & Design as to be likely to cause confusion, to cause mistake or to deceive within the meaning of § 2(d) of The Federal Trademark Act, thereby damaging Opposer."

ANSWER:

- (1) Opposer is the owner of Registration Nos. 1,412,587; 2,330,884; 1,309,375; 2,691,470; 1,411,610; 2,646,784; 1,313,790; 529,622, which are each *prima facie* and/or conclusive evidence of the validity of the marks BRINK'S and BRINKS and Opposer's exclusive right to use these marks in commerce.
- (2) Opposer and its licensees have continuously and extensively used and advertised the marks BRINKS and BRINK'S, alone and in combination with other words and/or designs, since 1983.
- (3) The marks BRINKS and BRINK'S, alone and/or in combination with other words and design(s), had become famous and well known long prior to the filing of the opposed application and Applicant's first use of the mark BRINKMAN in connection with home security systems and components.
- (4) Each of the marks BRINKS and BRINK'S, on the one hand, and BRINKMANN, on the other hand, share the first five letters BRINK and, when viewed in their entireties in the relevant marketplace context, are confusingly similar.
- (5) Opposer's commercial and residential security systems and related alarm and monitoring services, on the one hand, and Applicant's home security systems and components therefor described in the opposed application, on the other hand, are sold and rendered to the general consuming public to satisfy the same or similar consumer needs.
- (6) There is no restriction as to purchasers and/or channels of trade in the description of goods in the opposed application to register the mark

BRINKMANN.

- (7) The survey entitled Consumer Perceptions of BRINKMANN conducted in connection with the subject proceeding and previously produced to Applicant.

INTERROGATORY NO. 29:

Please describe in full detail the factual bases for the allegation in paragraph 21 of the Notice of Opposition that Applicant's "use of the mark BRINKMANN in connection with the home security systems and components described in the opposed application dilutes and/or is likely to dilute the distinctiveness of Opposer's famous marks BRINK'S, BRINK'S & Design, BRINK'S (stylized), BRINK'S HOME SECURITY, and BRINK'S HOME SECURITY & Design as to be likely to cause confusion, to cause mistake or to deceive within the meaning of § 43(c) of the Federal Trademark Act."

ANSWER:

- (1) The marks BRINKS and BRINK'S have become exceedingly well-known and famous marks enjoying a singular association with Opposer in the field of residential and commercial security systems and equipment and related alarm and monitoring services.
- (2) Each of the marks BRINKS and BRINK'S, on the one hand, and BRINKMANN, on the other hand, share the first five letters BRINK and, when viewed in their entireties in the relevant marketplace context, are confusingly similar.
- (3) Applicant's use and application seeking registration of the mark BRINKMANN calls to mind the names and marks BRINKS and BRINK'S. Applicant's use of the mark BRINKMANN is likely to diminish the singular association

represented by the distinctive qualities of the marks BRINKS and BRINK'S and thus reduces the capacity of the famous marks BRINKS and BRINK'S to exclusively identify Opposer's products and services.

INTERROGATORY NO. 30:

Please describe in full detail the factual bases for the allegation in paragraph 19, 20 and 24 of the Notice of Opposition that Opposer has suffered "damage."

ANSWER:

Opposer objects to Interrogatory No. 30 on the ground that the allegation of damage involves a legal concept.

Without waiving or prejudicing the foregoing objection, Opposer states that it is irreparably injured by: (1) the likelihood of confusion caused by Applicant's use of the mark BRINKMANN and resulting loss of control over Opposer's business reputation; and (2) the likelihood of dilution of the distinctive qualities of the marks BRINKS and BRINK'S caused by Applicant's use and registration of the mark BRINKMANN in connection with home security systems and components therefor.

Opposer also is irreparably injured by the consuming public's misbelief that the mark BRINKMANN is registered, which is a direct result of Applicant's fraudulent use of the registration symbol in connection with the mark BRINKMANN for home security products.

INTERROGATORY NO. 31:

Please describe in full detail the factual bases that Opposer will rely on to refute Applicant's affirmative defense of laches, as pleaded by Applicant in paragraph 26 of its Answer to Notice of Opposition.

ANSWER:

The opposed application was published for opposition on October 5, 2004. Opposer filed a 90-day Request for Extension of Time to Oppose on November 2, 2004,

which was granted by the Trademark Trial and Appeal Board. With Applicant's consent, Opposer requested an additional 60-day extension of the deadline for filing an opposition against the subject application. The Trademark Trial and Appeal Board granted Opposer's request and extended the deadline by which Opposer must file an opposition to April 3, 2005. Opposer timely filed the Notice of Opposition on April 1, 2005. In view of the foregoing events, there is no unreasonable delay with respect to Opposer's objection to Applicant's application to register the mark BRINKMANN.

INTERROGATORY NO. 32:

Please identify all documents and things that Opposer may use at trial or any evidentiary hearing in this matter.

ANSWER

Opposer objects to Interrogatory No. 32 on the ground that it is premature to identify all documents Opposer may use at trial or any evidentiary hearing given the early stage of this proceeding. Opposer reserves the right to supplement its answer to Interrogatory No. 32 at such time as a decision is made with respect to such documents.

* * *

Applicant's Amended First Set of Interrogatories are answered on behalf of Opposer by the undersigned as its duly authorized agent.

BRINK'S NETWORK, INCORPORATED

By: Kevin L. Gocum

COMMONWEALTH OF VIRGINIA)
: ss
COUNTY OF HENRICO)

Kevin L. Yocum, being duly sworn, deposes and says: that he is Director of Brink's Network, Incorporated; that he signed the foregoing Opposer's Answers to Applicant's Amended First Set of Interrogatories on behalf of Opposer and is authorized to make this verification on its behalf; and that the answers made herein are true to the best of his knowledge and belief based on information available to him.

By: Kevin L. Yocum

SUBSCRIBED AND SWORN to before me this 5th day of August, 2008.

Helene H. Savage

Notary Public

I was commissioned Helene H. Savage
No. 238419

My Commission Expires: December 31, 2009

SEAL

As to Objections:

Date: August _____, 2008

By: _____

Alan S. Cooper
Nancy S. Lapidus
Howrey LLP
1299 Pennsylvania Ave. NW
Washington, DC 20004
202.783.0800
Fax: 202.383.7195

COMMONWEALTH OF VIRGINIA)
: ss
COUNTY OF HENRICO)

Kevin L. Yocum, being duly sworn, deposes and says: that he is Director of Brink's Network, Incorporated; that he signed the foregoing Opposer's Answers to Applicant's Amended First Set of Interrogatories on behalf of Opposer and is authorized to make this verification on its behalf; and that the answers made herein are true to the best of his knowledge and belief based on information available to him.

By: Kevin L. Yocum

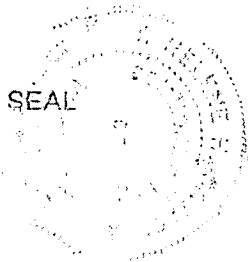
SUBSCRIBED AND SWORN to before me this 5th day of August, 2008.

Helene H. Savage

Notary Public

I was commissioned Helene H. Savage
No. 238419

My Commission Expires: December 31, 2009



As to Objections:

Date: August 7, 2008

By: Alan S. Cooper

Alan S. Cooper
Nancy S. Lapidus
Howrey LLP
1299 Pennsylvania Ave. NW
Washington, DC 20004
202.783.0800
Fax: 202.383.7195

CERTIFICATE OF SERVICE

I certify that a true copy of the foregoing Opposer's Answers to Applicant's Amended First Set of Interrogatories was served on the following counsel for Applicant by Federal Express overnight courier service, with confirming service by depositing the same in the U.S. mail, first class and postage prepaid this 7th day of August, 2008:

Gary Clark, Esq.
Susan Hwang, Esq.
Sheppard, Mullin, Richter & Hampton LLP
333 South Hope Street, 48th Floor
Los Angeles, California 90071



APPENDIX C

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

EX-10.1 2 ex10-1.htm SEPARATION AND DISTRIBUTION AGREEMENT BETWEEN BRINK'S HOME SECURITY HOLDINGS,
INC. AND THE BRINK'S COMPANY

Exhibit 10.1

EXECUTION COPY

SEPARATION AND DISTRIBUTION AGREEMENT

By and Between

THE BRINK'S COMPANY

and

BRINK'S HOME SECURITY HOLDINGS, INC.

Dated as of October 31, 2008

Brink's Network, Inc. v. Brinkmann Corp. Opposition No. 91164764 Offering Party: Brink's Network, Inc. Appendix C
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TABLE OF CONTENTS

Page

ARTICLE I

Definitions

ARTICLE II

The Separation

SECTION 2.01.	Transfer of Assets and Assumption of Liabilities	8
SECTION 2.02.	Termination of Agreements	8
SECTION 2.03.	Disclaimer of Representations and Warranties	9
SECTION 2.04.	Release of Obligations Under Existing Credit Facility	9
SECTION 2.05.	Replacement of Credit Support	10
SECTION 2.06.	Replacement of Cash Concentration Account	10

ARTICLE III

Actions Pending the Distribution

SECTION 3.01.	Actions Prior to the Distribution	10
SECTION 3.02.	Conditions Precedent to Consummation of the Distribution	11

ARTICLE IV

The Distribution

SECTION 4.01.	The Distribution	12
SECTION 4.02.	Sole Discretion of Brink's	13

ARTICLE V

Mutual Releases; Indemnification

SECTION 5.01.	Release of Pre-Closing Claims	13
SECTION 5.02.	Indemnification by BHS	15
SECTION 5.03.	Indemnification by Brink's	16
SECTION 5.04.	Indemnification of Third Party Claims	16
SECTION 5.05.	Indemnification Obligations Net of Insurance Proceeds and Other Amounts	16
SECTION 5.06.	Procedures for Indemnification of Third Party Claims	17
SECTION 5.07.	Additional Matters	18
SECTION 5.08.	Remedies Cumulative	19
SECTION 5.09.	Survival of Indemnities	19
SECTION 5.10.	Limitation on Liability	19

ARTICLE VI

Insurance Matters

SECTION 6.01.	Insurance Matters	19
---------------	-------------------	----

ARTICLE VII

Exchange of Information; Confidentiality

SECTION 7.01.	Agreement for Exchange of Information; Archives	21
SECTION 7.02.	Ownership of Information	22
SECTION 7.03.	Compensation for Providing Information	22
SECTION 7.04.	Limitations on Liability	23
SECTION 7.05.	Other Agreements Providing for Exchange of Information	23
SECTION 7.06.	Production of Witnesses; Records; Cooperation	23
SECTION 7.07.	Confidentiality	24
SECTION 7.08.	Protective Arrangements	24

ARTICLE VIII

Dispute Resolution

SECTION 8.01.	Disputes	25
SECTION 8.02.	Escalation; Mediation	25
SECTION 8.03.	Court Actions	26

ARTICLE IX

Further Assurances and Additional Covenants

SECTION 9.01.	Further Assurances	26
---------------	--------------------	----

ARTICLE X

Termination

SECTION 10.01.	Termination	27
SECTION 10.02.	Effect of Termination	27

ARTICLE XI

Miscellaneous

SECTION 11.01.	Counterparts; Entire Agreement; Corporate Power	27
SECTION 11.02.	Governing Law	28
SECTION 11.03.	Assignability	28
SECTION 11.04.	Third Party Beneficiaries	28
SECTION 11.05.	Notices	29
SECTION 11.06.	Severability	29
SECTION 11.07.	Force Majeure	29

SECTION 11.08.	Publicity	30
SECTION 11.09.	Expenses	30
SECTION 11.10.	Headings	30
SECTION 11.11.	Survival of Covenants	30
SECTION 11.12.	Waivers of Default	30
SECTION 11.13.	Specific Performance	30
SECTION 11.14.	Amendments	30
SECTION 11.15.	Interpretation	31
SECTION 11.16.	Jurisdiction; Service of Process	31
SECTION 11.17.	Currency	31
SECTION 11.18.	Late Payments	31

Schedule I

SEPARATION AND DISTRIBUTION AGREEMENT

THIS SEPARATION AND DISTRIBUTION AGREEMENT dated as of October 31, 2008, is by and between THE BRINK'S COMPANY, a Virginia corporation ("Brink's"), and BRINK'S HOME SECURITY HOLDINGS, INC., a Virginia corporation ("BHS"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I hereof.

RECITALS

WHEREAS, the board of directors of Brink's has determined that it is in the best interests of Brink's and its shareholders to separate the existing businesses of Brink's into two independent businesses;

WHEREAS, in furtherance of the foregoing, it is appropriate and desirable to effect the Separation and the Distribution, each as more fully described in this Agreement and the Ancillary Agreements;

WHEREAS, Brink's and BHS have prepared, and BHS has filed with the Commission, the Form 10, which includes the Information Statement and sets forth appropriate disclosure concerning BHS and the Distribution;

WHEREAS, the Distribution is intended to qualify as a tax-free spin-off under Section 355 of the Code; and

WHEREAS, it is appropriate and desirable to set forth the principal corporate transactions required to effect the Separation, the Distribution and certain other agreements that will govern certain matters relating to the Separation, the Distribution and the relationship of Brink's, BHS and their respective Subsidiaries following the Distribution.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I

Definitions

For the purpose of this Agreement, the following terms shall have the following meanings:

"Action" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or any federal, state, local, foreign or international arbitration or mediation tribunal.

"Affiliate" of any Person means a Person that controls, is controlled by or is under common control with such Person. As used herein, "control" of any entity means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such entity, whether through ownership of voting securities or other interests, by contract or otherwise.

"Agent" means the distribution agent to be appointed by Brink's to distribute to the shareholders of Brink's, pursuant to the Distribution, the shares of BHS Common Stock held by Brink's.

"Agreement" means this Separation and Distribution Agreement, including the Schedule hereto.

"Ancillary Agreements" means the Brand Licensing Agreement, the Employee Matters Agreement, the Non-Compete Agreement, the Transition Services Agreement, the Tax Matters Agreement and any instruments, assignments and other documents and agreements executed in connection with the implementation of the transactions contemplated by this Agreement, including Article II.

"Assets" means assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other third parties or elsewhere), whether real, personal or mixed, tangible, intangible or contingent, in each case whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person, including the following:

(a) all accounting and other books, records and files, whether in paper, microfilm, microfiche, computer tape or disc, magnetic tape or any other form;

(b) all apparatus, computers and other electronic data processing equipment, fixtures, machinery, furniture, office and other equipment, automobiles, trucks, aircraft, rolling stock, vessels, motor vehicles and other transportation equipment, special and general tools, test devices, prototypes and models and other tangible personal property;

(c) all inventories of materials, parts, raw materials, supplies, work-in-process and finished goods and products;

(d) all interests in real property of whatever nature, including easements, whether as owner, mortgagee or holder of a Security Interest in real property, lessor, sublessor, lessee, sublessee or otherwise;

(e) all interests in any capital stock or other equity interests of any Subsidiary or any other Person; all bonds, notes, debentures or other securities issued by any Subsidiary or any other Person; all loans, advances or other extensions of credit or capital contributions to any Subsidiary or any other Person; and all other investments in securities of any Person;

(f) all license agreements, leases of personal property, open purchase orders for raw materials, supplies, parts or services, unfilled orders for the manufacture and sale of products and other contracts, agreements or commitments and all rights arising thereunder;

(g) all letters of credit, performance bonds and other surety bonds;

(h) all written technical information, data, specifications, research and development information, engineering drawings, operating and maintenance manuals and materials and analyses prepared by consultants and other third parties;

(i) all domestic and foreign patents, copyrights, trade names, trademarks, service marks and registrations and applications for any of the foregoing, mask works, trade secrets, inventions, other proprietary information and licenses from third parties granting the right to use any of the foregoing;

(j) all computer applications, programs and other software, including operating software, network software, firmware, middleware, design software, design tools, systems documentation and instructions;

(k) all cost information, sales and pricing data, customer prospect lists, supplier records, customer and supplier lists, customer and vendor data, correspondence and lists, product literature, artwork, design, development and manufacturing files, vendor and customer drawings, formulations and specifications, quality records and reports and other books, records, studies, surveys, reports, plans and documents;

(l) all prepaid expenses, trade accounts and other accounts and notes receivables;

(m) all claims or rights against any Person arising from the ownership of any Asset, all rights in connection with any bids or offers and all claims, choses in action or similar rights, whether accrued or contingent;

(n) all rights under insurance policies and all rights in the nature of insurance, indemnification or contribution;

(o) all licenses (including radio and similar licenses), permits, approvals and authorizations that have been issued by any Governmental Authority;

(p) cash or cash equivalents, bank accounts, lock boxes and other deposit arrangements; and

(q) interest rate, currency, commodity or other swap, collar, cap or other hedging or similar agreements or arrangements.

"BHS" has the meaning set forth in the preamble.

"BHS Business" means the businesses and operations of BHS, BHS Inc. and BHS Canada.

"BHS Canada" means Brink's Home Security Canada, Limited, a corporation organized under the laws of British Columbia, Canada.

“BHS Common Stock” means the common stock, \$0.00 par value per share, of BHS.

“BHS Group” means BHS, BHS Inc., BHS Canada and any other Affiliate of BHS immediately after the Distribution.

“BHS Inc.” means Brink’s Home Security, Inc., a Delaware corporation.

“BHS Indemnities” has the meaning set forth in Section 5.03.

“BHS Stock Purchase Amount” has the meaning set forth in Section 3.02(g).

“Brand Licensing Agreement” means the Brand Licensing Agreement dated as of the Distribution Date between Network and BHS.

“Brink’s” has the meaning set forth in the preamble.

“Brink’s Business” means (a) the business and operations of Brink’s and its Subsidiaries (including Guarding) and other Affiliates immediately after the Distribution and (b) except as otherwise expressly provided herein, any terminated, divested or discontinued businesses or operations of Brink’s and its Subsidiaries and other Affiliates.

“Brink’s Cash Concentration Account” has the meaning set forth in Section 2.06.

“Brink’s Common Stock” means the common stock, \$1.00 par value per share, of Brink’s.

“Brink’s Group” means Brink’s and each of its Subsidiaries (including Guarding) and other Affiliates immediately after the Distribution.

“Brink’s Indemnities” has the meaning set forth in Section 5.02.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission.

“Consents” means any consents, waivers or approvals from, or notification requirements to, any Person other than a member of either Group.

“Credit Support Instruments” has the meaning set forth in Section 2.05(a).

“Distribution” means the distribution, on a pro rata basis, by Brink’s to the Record Holders of all the outstanding shares of BHS Common Stock owned by Brink’s on the Distribution Date.

“Distribution Date” means the date determined in accordance with Section 3.02 on which the Distribution occurs.

“Escalation Notice” has the meaning set forth in Section 8.02.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

“Form 10” means the registration statement on Form 10 filed by BHS with the Commission to effect the registration of BHS Common Stock pursuant to the Exchange Act in connection with the Distribution, as such registration statement may be amended or supplemented from time to time.

“Governmental Approvals” means any notices, reports or other filings to be given to or made with, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

“Governmental Authority” shall mean any federal, state, local, foreign or international court, government, department, commission, board, bureau, agency, official or other legislative, judicial, regulatory, administrative or governmental authority.

“Group” means either the Brink’s Group or the BHS Group, as the context requires.

“Guarding” means Brink’s Guarding Services, Inc., a Delaware corporation.

“Indemnifying Party” has the meaning set forth in Section 5.05(a).

“Indemnitee” has the meaning set forth in Section 5.05(a).

“Indemnity Payment” has the meaning set forth in Section 5.05(a).

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

“Information Statement” means the Information Statement to be sent to each holder of Brink’s Common Stock in connection with the Distribution.

“Insurance Policies” means the insurance policies written by insurance carriers, including those (if any) affiliated with Brink’s, pursuant to which BHS or one or more of its Subsidiaries after the Distribution Date (or their respective officers or directors) will be insured or self-insured parties after the Distribution Date, including policies or certifications related to (a) the State of Ohio Bureau of Workers’ Compensation Fund, (b) the State of Washington Department of Labor and Industries Fund, (c) any other monopolistic fund of, or social security or similar program recognized in, any state in the United States that provides workers’ compensation and employee liability insurance for entities that elect to participate in such funds and (d) any monopolistic fund of, or social security or similar program recognized in, any province in Canada that provides workers’ compensation and employee liability insurance.

"Insurance Proceeds" means those monies:

(a) received by an insured (or its successor-in-interest) from an insurance carrier;

(b) paid by an insurance carrier on behalf of the insured (or its successor-in-interest); or

(c) received (including by way of set off) from any third party in the nature of insurance, contribution or indemnification in respect of any Liability;

in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof.

"Intercompany Accounts" has the meaning set forth in Section 2.02(a).

"Internal Transactions" means the steps set forth on Schedule I.

"Liabilities" means any and all claims, debts, demands, actions, causes of action, suits, damages, obligations, accruals, accounts payable, reckonings, bonds, indemnities and similar obligations, agreements, promises, guarantees, make whole agreements and similar obligations, and other liabilities and requirements, including all contractual obligations, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and including those arising under any law, rule, regulation, Action, threatened or contemplated Action (including the costs and expenses of demands, assessments, judgments, settlements and compromises relating thereto and attorneys' fees and any and all costs and expenses whatsoever reasonably incurred in investigating, preparing or defending against any such Actions or threatened or contemplated Actions), order or consent decree of any Governmental Authority or any award of any arbitrator or mediator of any kind, and those arising under any contract, commitment or undertaking, including those arising under this Agreement or any Ancillary Agreement, in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person.

"Network" means Brink's Network, Incorporated, a Delaware corporation.

"Non-Compete Agreement" means the Non-Compete Agreement dated as of the Distribution Date between Brink's and BHS.

"NYSE" means The New York Stock Exchange, Inc.

"Party" shall mean either party hereto, and "Parties" shall mean both parties hereto.

"Person" means an individual, a general or limited partnership, a corporation, a trust, a joint venture, an unincorporated organization, a limited liability entity, any other entity and any Governmental Authority.

"Prime Rate" means the rate that JPMorgan Chase Bank, N.A. (or any successor thereto or other major money center commercial bank agreed to by the Parties) announces from time to time as its prime lending rate, as in effect from time to time.

"Record Date" means the close of business on the date to be determined by the Brink's board of directors as the record date for determining the shares of Brink's Common Stock in respect of which shares of BHS Common Stock will be distributed pursuant to the Distribution.

"Record Holders" has the meaning set forth in Section 4.01(b).

"Revolving Facility" means the revolving credit facility, in an aggregate amount to be determined by BHS, to be obtained by BHS and/or one or more of its Subsidiaries.

"Revolving Facility Agreement" means the agreement governing the Revolving Facility, to be entered into among BHS and/or one or more of its Subsidiaries, as the borrower or borrowers, the bank named therein as agent and the lending banks named therein.

"Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

"Security Interest" means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer or other encumbrance of any nature whatsoever.

"Separation" means (a) the Internal Transactions, (b) any actions to be taken pursuant to Article II and (c) if not otherwise included in the Internal Transactions or addressed by Article II, any transfers of Assets and any assumptions of Liabilities, in each case, between a member of one Group and a member of the other Group, provided for in this Agreement or any Ancillary Agreement.

"Specified Documents" means the Form 10, the Information Statement and any other registration statement filed with the Commission in connection with the Distribution by or on behalf of BHS or any other member of the BHS Group.

"Subsidiary" of any Person means any corporation or other organization whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person.

“Tax Matters Agreement” means the Tax Matters Agreement dated as of the Distribution Date between Brink’s and BHS.

“Taxes” has the meaning set forth in the Tax Matters Agreement.

“Third Party Claim” means any assertion by a Person (including any Governmental Authority) who is not a member of the Brink’s Group or the BHS Group of any claim, or the commencement by any such Person of any Action, against any member of the Brink’s Group or the BHS Group.

“Transaction Indemnitees” has the meaning set forth in Section 5.04.

“Transaction Third Party Claim” has the meaning set forth in Section 5.04.

“Transition Services Agreement” means the Transition Services Agreement dated as of the Distribution Date between Brink’s and BHS.

ARTICLE II

The Separation

SECTION 2.01. Transfer of Assets and Assumption of Liabilities. (a) In the event that it is discovered after the Distribution that there was an inadvertent omission of the transfer or conveyance by one Party (or any other member of its Group) to the other Party (or any other member of its Group) of any Asset that, had the Parties given specific consideration to such Asset prior to the Distribution, would have otherwise been so transferred or conveyed pursuant to this Agreement or any Ancillary Agreement, the Parties agree promptly to effect such transfer or conveyance of such Asset.

(b) Each of Brink’s and BHS agrees on behalf of itself and its Subsidiaries that (i) the provisions of the Tax Matters Agreement shall exclusively govern the allocation of Assets and Liabilities related to Taxes and (ii) the provisions of the Employee Matters Agreement shall exclusively govern the allocation of Assets and Liabilities related to the existing U.S. and Canadian employee benefits and pension plans of Brink’s, which plans cover employees and former employees of members of both the Brink’s Group and the BHS Group.

SECTION 2.02. Termination of Agreements. (a) Except as set forth in Section 2.02(b) or as otherwise provided by the steps constituting the Internal Transactions, in furtherance of the releases and other provisions of Section 5.01, BHS and each other member of the BHS Group, on the one hand, and Brink’s and each other member of the Brink’s Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments and understandings (including (i) all intercompany accounts payable or accounts receivable (“Intercompany Accounts”) accrued as of the Distribution Date and (ii) the existing sublicenses pursuant to which BHS Inc. and BHS Canada sublicense certain intellectual property from Guarding), whether or not in writing, between or among BHS and/or any other member of the BHS Group, on the one hand, and Brink’s and/or any other member of the Brink’s Group, on the other hand, effective as of the Distribution Date. No such terminated Intercompany Account, agreement, arrangement, commitment or understanding (including any provision thereof that purports to survive termination) shall be of any further force or effect after the Distribution Date. Each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 2.02(a) shall not apply to any of the following agreements, arrangements, commitments, understandings or Intercompany Accounts (or to any of the provisions thereof): (i) this Agreement and the Ancillary Agreements (and each other agreement, arrangement, commitment, understanding or Intercompany Account expressly contemplated by this Agreement or any Ancillary Agreement to be entered into by either Party or any other member of its Group); (ii) any existing agreements, arrangements, commitments or understandings to provide services between a member of the BHS Group, on the one hand, and a member of the Brink's Group, on the other hand, that have been entered into in the ordinary course of business and on an arms-length basis; (iii) any agreements, arrangements, commitments or understandings described in Section 6.01(f); and (iv) any other agreements, arrangements, commitments, understandings or Intercompany Accounts that this Agreement or any Ancillary Agreement expressly contemplates will survive the Distribution Date.

SECTION 2.03. Disclaimer of Representations and Warranties. Each of Brink's (on behalf of itself and each other member of the Brink's Group) and BHS (on behalf of itself and each other member of the BHS Group) understands and agrees that, except as expressly set forth herein or in any Ancillary Agreement, no party to this Agreement, any Ancillary Agreement or any other agreement or document contemplated by this Agreement or any Ancillary Agreement, is representing or warranting in any way as to any Assets, businesses or Liabilities transferred or assumed as contemplated hereby or thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any Security Interests of, or any other matter concerning, any Assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any such party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Asset or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth herein or in any Ancillary Agreement, any such Assets are being transferred on an "as is," "where is" basis and the respective transferees shall bear the economic and legal risks that (a) any conveyance shall prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest, and (b) any necessary Governmental Approvals or other Consents are not obtained or that any requirements of laws or judgments are not complied with.

SECTION 2.04. Release of Obligations Under Existing Credit Facility. Brink's acknowledges that all obligations of BHS Inc. under (a) the Credit Agreement dated as of August 11, 2006, among Brink's, the subsidiary borrowers referred to therein, certain subsidiaries of Brink's (including BHS Inc.), as guarantors, various lenders thereto, Bank of Tokyo-Mitsubishi UFJ Trust Company, as documentation agent, Bank of America, N.A. and JPMorgan Chase Bank N.A., as syndication agents, Wachovia Bank, National Association, as administrative agent, and Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, and (b) the Letter of Credit Agreement dated as of July 23, 2008, among Brink's, certain subsidiaries of Brink's that are signatories thereto as guarantors and ABN AMRO Bank N.V., in each case, shall be automatically released and discharged upon the consummation of the Distribution, pursuant to the terms of such Credit Agreement.

SECTION 2.05. Replacement of Credit Support. (a) Except for the surety bonds, cash, letters of credit or other similar instruments described in Section 6.01(f)(ii), BHS shall use reasonable efforts to arrange, at its sole cost and expense, effective prior to or on the Distribution Date, to replace all guarantees, covenants, indemnities, surety bonds, letters of credit or similar assurances or credit support provided by Brink's or any other member of the Brink's Group for the benefit of BHS or any other member of the BHS Group ("Credit Support Instruments") with alternate arrangements that do not require any credit support from Brink's or any other member of the Brink's Group, and shall use reasonable efforts to obtain from the beneficiaries of such Credit Support Instruments written releases indicating that Brink's or such other member of the Brink's Group will, effective upon the consummation of the Distribution, have no liability with respect to such Credit Support Instruments, in each case reasonably satisfactory to Brink's, provided that in the event that BHS shall not have obtained all such releases on or prior to the date that is 90 days following the Distribution Date, BHS shall provide Brink's with letters of credit or guarantees, in each case issued by a bank reasonably acceptable to Brink's, against losses arising from all such Credit Support Instruments with respect to which such releases have not been obtained.

(b) Brink's shall provide BHS with written notice of all Credit Support Instruments a reasonable period prior to the Distribution.

SECTION 2.06. Replacement of Cash Concentration Account. Prior to the Distribution, (a) BHS will establish a bank account into which cash collections of BHS and any other member of the BHS Group will be automatically directed in a manner similar to the existing Brink's account (the "Brink's Cash Concentration Account") into which cash collections of BHS previously have been swept, by way of automatic transfers, at the end of each business day and from which, on each subsequent business day, funds required by BHS or any other member of the BHS Group for accounts payable and payroll automatically are transferred to accounts of BHS or such other member of the BHS Group from which BHS or such other member of the BHS Group makes cash disbursements and (b) Brink's will simultaneously terminate the automatic movement of BHS funds into and out of the Brink's Cash Concentration Account.

ARTICLE III

Actions Pending the Distribution

SECTION 3.01. Actions Prior to the Distribution. (a) Subject to the conditions specified in Section 3.02 and subject to Section 4.02, Brink's and BHS shall use reasonable best efforts to consummate the Distribution. Such actions shall include those specified in this Section 3.01 to the extent not taken prior to the Distribution Date.

(b) Prior to the Distribution Date, Brink's shall mail the Information Statement to the holders of Brink's Common Stock as of the Record Date.

(c) BHS shall prepare and file, and shall use reasonable best efforts to have approved prior to the Distribution Date, an application for the listing of the BHS Common Stock to be distributed in the Distribution on the NYSE or another national securities exchange, subject to official notice of distribution.

(d) Prior to the Distribution Date, Brink's shall duly elect, as members of the BHS board of directors, the individuals listed as members of the BHS board of directors in the Information Statement and such individuals shall continue to be members of the BHS board of directors as of the Distribution Date.

(e) Immediately prior to the Distribution Date, the certificate of incorporation and bylaws of BHS, each in substantially the form filed as an exhibit to the Form 10, shall be in effect.

(f) Brink's and BHS shall, subject to Section 4.02, take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 3.02 to be satisfied and to effect the Distribution on the Distribution Date.

SECTION 3.02. Conditions Precedent to Consummation of the Distribution. As soon as practicable after the date of this Agreement, subject to Section 4.02, the Parties shall use reasonable best efforts to satisfy the following conditions prior to the consummation of the Distribution. The obligations of the Parties to consummate the Distribution shall be conditioned on the satisfaction, or waiver by Brink's, of the following conditions:

(a) Each Ancillary Agreement shall have been executed by each party thereto.

(b) The existing license pursuant to which Guarding licenses certain intellectual property from Network shall have been amended to exclude from such license to Guarding the use of the Trade Symbols (as defined in the Brand Licensing Agreement) to the extent that the Brand License Agreement will prohibit Network from licensing such use to parties other than BHS or its Subsidiaries.

(c) The Form 10 shall have been filed with the Commission and declared effective by the Commission, no stop order suspending the effectiveness of the Form 10 shall be in effect, no proceedings for such purpose shall be pending before or threatened by the Commission and the Information Statement shall have been mailed to holders of Brink's Common Stock as of the Record Date.

(d) The BHS Common Stock shall have been accepted for listing on the NYSE or another national securities exchange, subject to official notice of issuance.

(e) A private letter ruling from the Internal Revenue Service in form and substance satisfactory to Brink's in its sole discretion shall have been obtained, and shall continue in effect, that, among other things, confirms, for U.S. federal income tax purposes (i) the Distribution's tax-free status under Section 355 of the Code and (ii) the non-recognition of gain or loss by, and the non-inclusion in the income of, any shareholder of Brink's Common Stock upon the receipt by such shareholder of shares of BHS Common Stock pursuant to the Distribution.

(f) A favorable opinion from Cravath, Swaine & Moore LLP in form and substance satisfactory to Brink's in its sole discretion shall have been obtained that, among other things, confirms, for U.S. federal income tax purposes (i) the Distribution's tax-free status under Section 355 of the Code and (ii) the non-recognition of gain or loss by, and the non-inclusion in the income of, any shareholder of Brink's Common Stock upon the receipt by such shareholder of shares of BHS Common Stock pursuant to the Distribution.

(g) Brink's shall have paid to BHS \$100 (the "BHS Stock Purchase Amount") in cash as consideration for the 100 shares of BHS Common Stock issued to Brink's pursuant to the Subscription Agreement between Brink's and BHS dated as of May 27, 2008.

(h) The Internal Transactions shall have been completed.

(i) The Revolving Facility Credit Agreement shall have become effective.

(j) Any material Governmental Approvals and any other material Consents necessary to consummate the Distribution shall have been obtained and be in full force and effect.

(k) No order, injunction or decree issued by any Governmental Authority of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect, and no other event outside the control of Brink's shall have occurred or failed to occur that prevents the consummation of the Distribution.

(l) No other events or developments shall have occurred prior to the Distribution Date that, in the judgment of the board of directors of Brink's, would result in the Distribution having a material adverse effect on Brink's or on the shareholders of Brink's.

(m) The actions set forth in Sections 3.01(b), (d) and (e) shall have been completed.

The foregoing conditions are for the sole benefit of Brink's and shall not give rise to or create any duty on the part of Brink's or the Brink's board of directors to waive or not waive such conditions or in any way limit the right of Brink's to terminate this Agreement as set forth in Article XI or alter the consequences of any such termination from those specified in such Article. Any determination made by the Brink's board of directors prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 3.02 shall be conclusive.

ARTICLE IV

The Distribution

SECTION 4.01. The Distribution. (a) BHS shall cooperate with Brink's to accomplish the Distribution and shall, at the direction of Brink's, promptly take any and all actions necessary or desirable to effect the Distribution. Brink's shall select any investment bank or manager in connection with the Distribution, as well as any financial printer, solicitation and/or exchange agent and financial, legal, accounting and other advisors for Brink's. Brink's and BHS, as the case may be, will provide, or cause the applicable member of its Group to provide, to the Agent all share certificates and any information required in order to complete the Distribution.

(b) Subject to the terms and conditions set forth in this Agreement, (i) on or prior to the Distribution Date, Brink's will deliver to the Agent for the benefit of holders of record as of the Distribution Date of all the shares of Brink's Common Stock that were outstanding on the Record Date, including any Person to whom any holder of shares of Brink's Common Stock as of the Record Date transfers, after the Record Date but prior to the Distribution Date, such shares of Brink's Common Stock (all such holders of record as of the Distribution Date, the "Record Holders"), all the issued and outstanding shares of BHS Common Stock then owned by Brink's or any other member of the Brink's Group and book-entry transfer authorizations for such shares and (ii) on the Distribution Date, Brink's shall instruct the Agent to distribute, by means of a pro rata dividend, to each Record Holder (or such Record Holder's bank or brokerage firm on such Record Holder's behalf) electronically, by direct registration in book-entry form, one share of BHS Common Stock for each share of Brink's Common Stock held by such Record Holder. The Distribution shall be effective at 11:59 p.m. New York city time on the Distribution Date. On or immediately following the Distribution Date, the Agent will mail an account statement indicating the number of shares of BHS Common Stock that have been registered in book-entry form in the name of each Record Holder that holds physical share certificates representing its shares of Brink's Common Stock and that is the registered holder of the shares represented by those certificates.

SECTION 4.02. Sole Discretion of Brink's. Brink's shall, in its sole and absolute discretion, determine the Distribution Date and all terms of the Distribution, including the form, structure and terms of any transactions and/or offerings to effect the Distribution and the timing of and conditions to the consummation thereof. In addition and notwithstanding anything to the contrary set forth below, Brink's may at any time and from time to time until the completion of the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or part of the Distribution.

ARTICLE V

Mutual Releases; Indemnification

SECTION 5.01. Release of Pre-Closing Claims. (a) Except as provided in Section 5.01(c) and except for claims described in Section 6.01(f), effective as of the Distribution Date, BHS does hereby, for itself and each other member of the BHS Group, their respective Affiliates (other than any member of the Brink's Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been shareholders, directors, officers, agents or employees of any member of the BHS Group (in each case, in their respective capacities as such), remise, release and forever discharge Brink's and the other members of the Brink's Group, their respective Affiliates (other than any member of the BHS Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been shareholders, directors, officers, agents or employees of any member of the Brink's Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Distribution Date, including in connection with the transactions and all other activities to implement the Separation or the Distribution.

(b) Except as provided in Section 5.01(c), effective as of the Distribution Date, Brink's does hereby, for itself and each other member of the Brink's Group, their respective Affiliates (other than any member of the BHS Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been shareholders, directors, officers, agents or employees of any member of the Brink's Group (in each case, in their respective capacities as such), remise, release and forever discharge BHS, the other members of the BHS Group, their respective Affiliates (other than any member of the Brink's Group), successors and assigns, and all Persons who at any time prior to the Distribution Date have been shareholders, directors, officers, agents or employees of any member of the BHS Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Distribution Date, including in connection with the transactions and all other activities to implement the Separation or the Distribution.

(c) Nothing contained in Section 5.01(a) or (b) shall impair any right of any Person to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in Section 2.02(b) not to terminate as of the Distribution Date, in each case in accordance with its terms. Nothing contained in Section 5.01(a) or (b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the Brink's Group or the BHS Group that is specified in Section 2.02(b) as not to terminate as of the Distribution Date, or any other Liability specified in such Section 2.02(b) as not to terminate as of the Distribution Date;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, this Agreement or any Ancillary Agreement;

(iii) any Liability that the Parties may have with respect to indemnification or contribution pursuant to this Agreement for claims brought against the Parties or the members of their respective Groups or any of their respective Subsidiaries or Affiliates or any of the respective directors, officers, employees or agents of any of the foregoing by third Persons, which Liability shall be governed by the provisions of this Article V and, if applicable, the appropriate provisions of the Ancillary Agreements; or

(iv) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 5.01.

In addition, nothing contained in Section 5.01(a) shall release Brink's from honoring its existing obligations to indemnify any director, officer or employee of BHS or any of its Subsidiaries on or prior to the Distribution Date who was a director, officer or employee of Brink's or any of its Subsidiaries on or prior to the Distribution Date, to the extent such director, officer or employee becomes a named defendant in any litigation involving Brink's or any of its Subsidiaries and was entitled to such indemnification pursuant to then existing obligations.

(d) BHS shall not make, and shall not permit any other member of the BHS Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Brink's or any other member of the Brink's Group, or any other Person released pursuant to Section 5.01(a), with respect to any Liabilities released pursuant to Section 5.01(a). Brink's shall not, and shall not permit any other member of the Brink's Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against BHS or any other member of the BHS Group, or any other Person released pursuant to Section 5.01(b), with respect to any Liabilities released pursuant to Section 5.01(b).

(e) It is the intent of each of Brink's and BHS, by virtue of the provisions of this Section 5.01, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Distribution Date, between or among BHS or any other member of the BHS Group, on the one hand, and Brink's or any other member of the Brink's Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Distribution Date), except as expressly set forth in Section 5.01(c). At any time, at the request of the other Party, each Party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

SECTION 5.02. Indemnification by BHS. Except as provided in Section 5.05, BHS shall indemnify, defend and hold harmless Brink's, each other member of the Brink's Group and each of their respective former and current directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Brink's Indemnitees"), from and against any and all Liabilities of the Brink's Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) the BHS Business, including the failure of BHS or any other member of the BHS Group or any other Person to pay, perform or otherwise promptly discharge any Liability relating to or arising out of or resulting from the BHS Business in accordance with its terms, whether prior to or after the Distribution Date or the date hereof; and

(b) any breach by BHS or any other member of the BHS Group of this Agreement or any of the Ancillary Agreements, including the failure of BHS or any other member of the BHS Group to make any required payments (including premiums, fees, taxes, assessments, losses, fines, penalties, allocated expenses, retrospective adjustments and retrospective deductible adjustments) to third-party insurance carriers pursuant to Section 6.01(f).

SECTION 5.03. Indemnification by Brink's. Except as provided in Section 5.05, Brink's shall indemnify, defend and hold harmless BHS, each other member of the BHS Group and each of their respective former and current directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "BHS Indemnitees"), from and against any and all Liabilities of the BHS Indemnitees relating to, arising out of or resulting from any of the following items (without duplication):

(a) the Brink's Business, including the failure of Brink's or any other member of the Brink's Group or any other Person to pay, perform or otherwise promptly discharge any Liability relating to, arising out of or resulting from the Brink's Business in accordance with its terms, whether prior to or after the Distribution Date or the date hereof;

(b) any breach by Brink's or any other member of the Brink's Group of this Agreement or any of the Ancillary Agreements; and

(c) the discontinued coal operations of Brink's or any of its Subsidiaries (including the entities comprising the Pittston Coal Group), including obligations of BHS or any other member of the BHS Group in its capacity as a "related party" pursuant to the Coal Industry Retiree Health Benefit Act of 1992, including the obligation to pay premiums to the United Mine Workers of America Combined Benefit Fund and the obligation to provide health care benefits for United Mine Workers of America miners who retired between January 1, 1976, and October 1, 1994.

SECTION 5.04. Indemnification of Third Party Claims. Except as provided in Section 5.05 and subject to any contrary provision in any Ancillary Agreement, each Party shall indemnify, defend and hold harmless the other Party, each other member of such other Party's Group and each of their respective former and current directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Transaction Indemnitees"), from and against 50% of the Liabilities of the Transaction Indemnitees relating to, arising out of or resulting from any Third Party Claim that is directly related to the Separation and/or the Distribution, including any Third Party Claim relating to, arising out of or resulting from any untrue statement or alleged untrue statement of a material fact contained in any Specified Document or any omission or alleged omission to state a material fact in any Specified Document required to be stated therein or necessary to make the statements therein not misleading (any such Third Party Claim, a "Transaction Third Party Claim"). Notwithstanding Section 5.06(b) or (c), any costs and expenses related to the defense of any Transaction Third Party Claims shall be shared equally between the Brink's Group and the BHS Group.

SECTION 5.05. Indemnification Obligations Net of Insurance Proceeds and Other Amounts. (a) The Parties intend that any Liability subject to indemnification or reimbursement pursuant to this Article V will be net of Insurance Proceeds that actually reduce the amount of, or are paid to the applicable Indemnitee in respect of, such Liability. Accordingly, the amount that either Party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification hereunder (an "Indemnitee") will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee in respect of the related Liability. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds in respect of such Liability, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if such Insurance Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer that would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or have any subrogation rights with respect thereto by virtue of the indemnification provisions hereof, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "wind-fall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof. Nothing contained in this Agreement or any Ancillary Agreement shall obligate any member of any Group to seek to collect or recover any Insurance Proceeds.

SECTION 5.06. Procedures for Indemnification of Third Party Claims. (a) If an Indemnitee shall receive notice or otherwise learn of a Third Party Claim with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 5.02, 5.03 or 5.04 or any other Section of this Agreement or any Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof within 10 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Person to give notice as provided in this Section 5.06(a) shall not relieve the related Indemnifying Party of its obligations under this Article V, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) An Indemnifying Party may elect to defend, at such Indemnifying Party's own expense (subject to the requirement to share expenses related to the defense of Transaction Third Party Claims pursuant to Section 5.04) and by such Indemnifying Party's own counsel, any Third Party Claim. Within 20 days after the receipt of notice from an Indemnitee in accordance with Section 5.06(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election as to whether the Indemnifying Party will assume responsibility for defending such Third Party Claim. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but (subject to Section 5.04) the fees and expenses of such counsel shall be the expense of such Indemnitee, except that the Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnifying Party has not assumed the defense of such Third Party Claim (other than during any period in which the Indemnitee shall have failed to give notice of the Third Party Claim in accordance with Section 5.06(a)).

(c) If an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnitee of its election as provided in Section 5.06(b), such Indemnitee may defend such Third Party Claim at the cost and expense of the Indemnifying Party (subject to the requirement to share expenses related to the defense of Transaction Third Party Claims pursuant to Section 5.04).

(d) If an Indemnifying Party elects to assume the defense of a Third Party Claim in accordance with the terms of this Agreement, the Indemnitee shall agree to any settlement, compromise or discharge of such Third Party Claim that the Indemnifying Party may recommend and that by its terms obligates the Indemnifying Party to pay the full amount of the liability in connection with such Third Party Claim and that releases the Indemnified Party completely in connection with such Third Party Claim.

(e) No Indemnifying Party shall consent to entry of any judgment or enter into any settlement of any Third Party Claim without the consent of the applicable Indemnitee or Indemnitees if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee.

(f) Whether or not the Indemnifying Party assumes the defense of a Third Party Claim, no Indemnitee shall admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Indemnifying Party's prior written consent.

(g) The provisions of Section 5.06 (other than this Section 5.06(g)) and Section 5.07 shall not apply to Taxes (which are covered by the Tax Matters Agreement).

(h) Notwithstanding the foregoing clauses (b) through (e), with respect a Third Party Claim made prior to the Distribution Date that is related to the insurance arrangements set forth in Section 6.01(f), (i) Brink's shall assume the defense of such Third Party Claim, at the cost of BHS, and (ii) Brink's shall not consent to entry of any judgment in respect of, or enter into any settlement of, such Third Party Claim without the consent of BHS, such consent not to be unreasonably withheld.

SECTION 5.07. Additional Matters. (a) Any claim on account of a Liability that does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant or add the Indemnifying Party as an additional named defendant, if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Section, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement and the cost of any interest or penalties relating to any judgment or settlement.

SECTION 5.08. Remedies Cumulative. The remedies provided in this Article V shall be cumulative and, subject to the provisions of Article IX, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

SECTION 5.09. Survival of Indemnities. The rights and obligations of each of Brink's and BHS and their respective Indemnitees under this Article V shall survive the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities.

SECTION 5.10. Limitation on Liability. Except as may expressly be set forth in this Agreement or any Ancillary Agreement, none of Brink's, BHS or any other member of either Group shall in any event have any Liability to the other or to any other member of the other's Group, or to any other Brink's Indemnitee or BHS Indemnitee, as applicable, for any incidental, indirect, special, punitive or consequential damages, whether or not caused by or resulting from negligence or breach of obligations hereunder or under any Ancillary Agreement and whether or not informed of the possibility of the existence of such damages, provided, however, that the provisions of this Section shall not limit an Indemnifying Party's indemnification obligations hereunder or in any Ancillary Agreement with respect to any Liability any Indemnitee may have to any third party not affiliated with any member of the Brink's Group or the BHS Group for any incidental, indirect, special, punitive or consequential damages.

ARTICLE VI

Insurance Matters

SECTION 6.01. Insurance Matters. (a) Brink's and BHS agree to cooperate in good faith to provide for an orderly transition of insurance coverage from the date hereof through the Distribution Date and for the treatment of any Insurance Policies that will remain in effect following the Distribution Date on a mutually agreeable basis. In no event shall Brink's, any other member of the Brink's Group or any Brink's Indemnitee have liability or obligation whatsoever to any member of the BHS Group or any BHS Indemnitee in the event that any Insurance Policy or other contract or policy of insurance shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any Liability of any member of the BHS Group or any BHS Indemnitee for any reason whatsoever or shall not be renewed or extended beyond the current expiration date.

(b) (i) Except as otherwise provided in any Ancillary Agreement, the Parties intend by this Agreement that BHS and each other member of the BHS Group be successors-in-interest to all rights that any member of the BHS Group may have as of the Distribution Date as a subsidiary, affiliate, division or department of Brink's prior to the Distribution Date under any policy of insurance issued to Brink's or any other member of the Brink's Group by any insurance carrier or under any agreements related to such policies executed and delivered prior to the Distribution Date, including any rights such member of the BHS Group may have, as an insured or additional named insured, subsidiary, affiliate, division or department, to avail itself of any such policy of insurance or any such agreements related to such policies as in effect prior to the Distribution Date. At the request of BHS, Brink's shall take all reasonable steps, including the execution and delivery of any instruments, to effect the foregoing; provided, however, that Brink's shall not be required to pay any amounts, waive any rights or incur any Liabilities in connection therewith.

(ii) Except as otherwise contemplated by any Ancillary Agreement, after the Distribution Date, Brink's (and each other member of the Brink's Group) and BHS (and each other member of the BHS Group) shall not, without the consent of BHS or Brink's, respectively, provide any such insurance carrier with a release or amend, modify or waive any rights under any such policy or agreement, if such release, amendment, modification or waiver thereunder would adversely affect any rights or potential rights of any member of the Group of the other Party; provided, however, that the foregoing shall not (A) preclude any member of any Group from presenting any claim or from exhausting any policy limit, (B) require any member of any Group to pay any premium or other amount or to incur any Liability or (C) require any member of any Group to renew, extend or continue any policy in force. Each of Brink's and BHS will share such information as is reasonably necessary in order to permit the other to manage and conduct its insurance matters in an orderly fashion.

(c) This Agreement shall not be considered as an attempted assignment of any policy of insurance or as a contract of insurance and shall not be construed to waive any right or remedy of any member of the Brink's Group in respect of any Insurance Policy or any other contract or policy of insurance.

(d) BHS does hereby, for itself and each other member of the BHS Group, agree that no member of the Brink's Group or any Brink's Indemnitee shall have any Liability whatsoever as a result of the insurance policies and practices of Brink's and its Affiliates as in effect at any time prior to the Distribution Date, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier, the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise.

(e) Nothing in this Agreement shall be deemed to restrict any member of the BHS Group from acquiring at its own expense any other insurance policy in respect of any Liabilities or covering any period.

(f) After the Distribution Date, BHS shall (i) at the election of Brink's, reimburse Brink's for, or pay directly to the applicable third party insurance carrier, the portion of any (A) workers' compensation premium, retrospectively rated premium adjustment, payroll audit adjustments, taxes, surcharges and payroll-driven assessment adjustments; provided that with respect to payroll audit adjustments, taxes, surcharges and payroll-driven assessment adjustments, BHS shall reimburse Brink's only for claims related to payroll paid during the calendar year 2008, (B) claims and claims allocated expenses in respect of self-insured automobile liability and general liability (including errors and omissions coverage) fronting programs, but only for such claims and claims administrative expenses that are billed to Brink's on, after or 30 days prior to the Distribution Date, and (C) claims, claims allocated expenses and any taxes, surcharges and assessments related to any claim in respect of workers' compensation programs that are self-insured or that require the insured party to pay a deductible, in each case allocable to BHS or any other member of the BHS Group for claims made on or prior to the Distribution Date under insurance policies or self-insurance authorizations covering BHS or any other member of the BHS Group, but only for such claims, claims allocated expenses and any taxes, surcharges and assessments related to workers' compensation claims that are billed to Brink's on, after or 30 days prior to the Distribution Date, and (ii) reimburse Brink's for the portion of any costs associated with surety bonds, letters of credit or other similar instruments provided by Brink's that guarantee deductibles, reserves or other amounts related to workers' compensation, automobile liability and general liability claims of BHS or any other member of the BHS Group. Such reimbursement shall be made in immediately available funds within 15 business days of receipt of an invoice from Brink's setting forth such premium, claim, administrative or allocated expenses, tax, surcharge or assessment in reasonable detail. Brink's shall not settle, arbitrate or litigate any insurance claim or related lawsuit against BHS or any member of the BHS Group without the prior consent of BHS (such consent not to be unreasonably withheld). After the Distribution Date, to the extent Brink's or BHS reasonably requires any information from the other regarding claims data, payroll or other insurance or insurance policy information in order to make filings with insurance carriers or self-insurance regulators, Brink's and/or BHS will use commercially reasonable efforts to promptly supply such information to each other. Nothing in this Section shall obligate Brink's or any other member of the Brink's Group to maintain any insurance policy for claims made or events occurring after the Distribution Date.

ARTICLE VII

Exchange of Information; Confidentiality

SECTION 7.01. Agreement for Exchange of Information; Archives. (a) Each of Brink's and BHS, on behalf of its Group, agrees to provide, or cause to be provided, to the other Group, at any time before or after the Distribution Date, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such Group that the requesting Party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting Party or any member of its Group (including under applicable securities or tax laws) by a Governmental Authority having jurisdiction over the requesting Party or such member, (ii) for use in any other judicial, regulatory, administrative, tax or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation, tax or other similar requirements, in each case other than claims or allegations that one Party to this Agreement has against the other, or (iii) to comply with its obligations under this Agreement or any Ancillary Agreement; provided, however, that in the event that either Party determines that any such provision of Information could be commercially detrimental, violate any law or agreement or waive any attorney-client privilege, the Parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(b) After the Distribution Date, BHS shall have access during regular business hours (as in effect from time to time) to the documents and objects of historic significance that relate to the BHS Business that are located in archives retained or maintained by Brink's. BHS may obtain copies (but not originals) of documents for bona fide business purposes and may obtain objects for exhibition purposes for commercially reasonable periods of time if required for bona fide business purposes, provided that BHS shall cause any such objects to be returned promptly in the same condition in which they were delivered to BHS and BHS shall comply with any rules, procedures or other requirements, and shall be subject to any restrictions (including prohibitions on removal of specified objects), that are then applicable to Brink's. Nothing herein shall be deemed to restrict the access of any member of the Brink's Group to any such documents or objects or to impose any liability on any member of the Brink's Group if any such documents or objects are not maintained or preserved by Brink's.

(c) After the date hereof, each of Brink's and BHS (i) shall maintain in effect at its own cost and expense adequate systems and controls to the extent necessary to enable the members of the other Group to satisfy their respective reporting, accounting, audit and other obligations and (ii) shall provide, or cause to be provided, to the other Party in such form as such other Party shall reasonably request, at no charge to the requesting Party, all financial and other data and information as such requesting Party reasonably determines necessary or advisable in order to prepare its financial statements and reports or filings with any Governmental Authority.

SECTION 7.02. Ownership of Information. Any Information owned by one Group that is provided to a requesting Party pursuant to Section 7.01 shall be deemed to remain the property of the providing Party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

SECTION 7.03. Compensation for Providing Information. Except as set forth in Section 7.01(c)(ii), the Party requesting Information agrees to reimburse the other Party for the reasonable costs, if any, of creating, gathering and copying such Information, to the extent that such costs are incurred for the benefit of the requesting Party. Except as may be otherwise specifically provided elsewhere in this Agreement or in any other agreement between the Parties, such costs shall be computed in accordance with the providing Party's standard methodology and procedures.

SECTION 7.04. Limitations on Liability. Neither Party shall have any liability to the other Party in the event that any Information exchanged or provided pursuant to this Agreement that is an estimate or forecast, or that is based on an estimate or forecast, is found to be inaccurate in the absence of willful misconduct by the Party providing such Information. Neither Party shall have any liability to the other Party if any Information is destroyed after reasonable best efforts by such Party to comply with the provisions of Section 7.01.

SECTION 7.05. Other Agreements Providing for Exchange of Information. The rights and obligations granted under this Article VII are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any Ancillary Agreement.

SECTION 7.06. Production of Witnesses; Records; Cooperation. (a) After the Distribution Date, except in the case of an adversarial Action by one Party against the other Party, each Party shall use reasonable best efforts to make available to the other Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its Group as witnesses and any books, records or other documents within its control or that it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting Party may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall, except as otherwise required by Article V, bear all costs and expenses in connection therewith.

(b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third Party Claim, the other Party shall make available to such Indemnifying Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its Group as witnesses and any books, records or other documents within its control or that it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with such defense, compromise or settlement, and shall otherwise cooperate in such defense, compromise or settlement.

(c) Without limiting any provision of this Section, each of the Parties agrees to cooperate, and to cause each member of its Group to cooperate, with the other Party in the defense of any infringement or similar claim with respect to Trade Symbols (as defined in the Brand Licensing Agreement) or any other mark using the word "Brink's" or any derivation thereof and shall not acknowledge, or permit any member of its Group to acknowledge, the validity or infringing use of any intellectual property of a third Person in a manner that would hamper or undermine the defense of such infringement or similar claim.

(d) The obligation of the Parties to provide witnesses pursuant to this Section 7.06 is intended to be interpreted in a manner so as to facilitate cooperation and shall include the obligation to provide as witnesses inventors and other officers without regard to whether the witness or the employer of the witness could assert a possible business conflict (subject to the exception set forth in the first sentence of Section 7.06(a)).

(e) In connection with any matter contemplated by this Section 7.06, the Parties will enter into a mutually acceptable joint defense agreement so as to maintain to the extent practicable any applicable attorney-client privilege or work product immunity of any member of either Group.

SECTION 7.07. Confidentiality. (a) Subject to Section 7.08, each of Brink's and BHS, on behalf of itself and each other member of its Group, agrees to hold, and to cause its directors, officers, employees, agents, accountants, counsel and other advisors and representatives to hold, in strict confidence, with at least the same degree of care that applies to confidential and proprietary information of Brink's pursuant to policies in effect as of the Distribution Date, all Information concerning the other Group that is either in its possession (including Information in its possession prior to the Distribution Date) or furnished by the other Group or its directors, officers, employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information has been (i) in the public domain through no fault of such Party or any other member of such Group or any of their respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) later lawfully acquired from other sources by such Party (or any other member of such Party's Group), which sources are not known by such Party to be themselves bound by a confidentiality obligation, or (iii) independently generated without reference to any proprietary or confidential Information of any member of the other Group.

(b) Each Party agrees not to release or disclose, or permit to be released or disclosed, any such Information (excluding Information described in clauses (i), (ii) and (iii) of Section 7.07(a)) to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information (who shall be advised of their obligations hereunder with respect to such Information), except in compliance with Section 7.08. Without limiting the foregoing, when any Information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each Party will promptly, after request of the other Party, either return the Information to the other Party in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other Party that any Information not returned in a tangible form (including any such Information that exists in an electronic form) has been destroyed (and such copies thereof and such notes, extracts or summaries based thereon).

SECTION 7.08. Protective Arrangements. In the event that either Party or any other member of its Group either determines on the advice of its counsel that it is required to disclose any Information pursuant to applicable law or receives any demand under lawful process or from any Governmental Authority to disclose or provide Information of the other Party (or any other member of the other Party's Group) that is subject to the confidentiality provisions hereof, such Party shall, to the extent permitted by law, notify the other Party prior to disclosing or providing such Information and shall cooperate, at the expense of the requesting Party, in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Person that received such request may thereafter disclose or provide Information to the extent required by such law (as so advised by counsel) or by lawful process or such Governmental Authority.

ARTICLE VIII

Dispute Resolution

SECTION 8.01. Disputes. Subject to Section 11.13 and except as otherwise specifically provided in any Ancillary Agreement, the procedures for discussion, negotiation and mediation set forth in this Article VIII shall apply to all disputes, controversies or claims (whether arising in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with, this Agreement or any Ancillary Agreement, or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the commercial or economic relationship of the parties relating hereto or thereto, between or among any members of the Brink's Group, on the one hand, and any members of the BHS Group, on the other hand.

SECTION 8.02. Escalation; Mediation. (a) It is the intent of the Parties to use reasonable best efforts to resolve expeditiously any dispute, controversy or claim between or among them with respect to the matters covered hereby that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, a Party involved in a dispute, controversy or claim may deliver a notice (an "Escalation Notice") demanding an in-person meeting involving representatives of the Parties at a senior level of management (or if the Parties agree, of the appropriate strategic business unit or division within such entity). A copy of any such Escalation Notice shall be given to the General Counsel, or like officer or official, of the Party involved in the dispute, controversy or claim (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location or procedures for such discussions or negotiations between the Parties may be established by the Parties from time to time; provided, however, that the Parties shall use reasonable best efforts to meet within 30 days of the Escalation Notice.

(b) If the Parties are not able to resolve the dispute, controversy or claim through the escalation process referred to above, then the matter shall be referred to mediation. The Parties shall retain a mediator to aid the Parties in their discussions and negotiations by informally providing advice to the Parties. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the Parties or be admissible in any other proceeding. The mediator may be chosen from a list of mediators previously selected by the Parties or by other agreement of the Parties. Costs of the mediation shall be borne equally by the Parties involved in the matter, except that each Party shall be responsible for its own expenses. Mediation shall be a prerequisite to the commencement of any Action by either Party against the other Party.

(c) In the event that any resolution of any dispute, controversy or claim pursuant to the procedures set forth in Section 8.02(a) or (b) in any way affects an agreement or arrangement between either of the Parties and a third party insurance carrier, the consent of such third party insurance carrier to such resolution, to the extent such consent is required, shall be obtained before such resolution can take effect.

SECTION 8.03. Court Actions. (a) In the event that either Party, after complying with the provisions set forth in Section 8.02, desires to commence an Action, such Party may submit the dispute, controversy or claim (or such series of related disputes, controversies or claims) to any court permitted by Section 11.16.

(b) Unless otherwise agreed in writing, the Parties will continue to provide service and honor all other commitments under this Agreement and each Ancillary Agreement during the course of dispute resolution pursuant to the provisions of this Article VIII with respect to all matters not subject to such dispute, controversy or claim.

ARTICLE IX

Further Assurances and Additional Covenants

SECTION 9.01. Further Assurances. (a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties shall, subject to Section 4.02, use reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the Distribution Date, each Party shall cooperate with the other Party, without any further consideration, but at the expense of the requesting Party, (i) to execute and deliver, or use reasonable best efforts to execute and deliver, or cause to be executed and delivered, all instruments, including any bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of conveyance, assignment and transfer as such Party may reasonably be requested to execute and deliver by the other Party, (ii) to make, or cause to be made, all filings with, and to obtain, or cause to be obtained, all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, (iii) to obtain, or cause to be obtained, any Governmental Approvals or other Consents required to effect the Separation or the Distribution and (iv) to take, or cause to be taken, all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and any transfers of Assets or assignments and assumptions of Liabilities hereunder or thereunder and the other transactions contemplated hereby and thereby.

(c) On or prior to the Distribution Date, Brink's and BHS, in their respective capacities as direct and indirect shareholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by BHS or any other Subsidiary of Brink's, as the case may be, to effectuate the transactions contemplated by this Agreement.

(d) The Parties agree to take any reasonable actions necessary in order for the Distribution, each step in the Internal Transactions and any other transaction contemplated by this Agreement or any Ancillary Agreement that is intended by the Parties to be tax-free to qualify as a tax-free transaction pursuant to Sections 355, 361(a) and 368(a)(1)(D), as applicable, of the Code.

(e) Prior to the Distribution Date, if either Party identifies any commercial or other service that is needed to assure a smooth and orderly transition of its business in connection with the consummation of the transactions contemplated hereby, and that is not otherwise governed by the provisions of this Agreement or any Ancillary Agreement, the Parties will cooperate in determining whether there is a mutually acceptable arm's-length basis on which the other Party will provide such service.

(f) As soon reasonably possible following the Distribution date, the Parties agree to determine the final amounts of the intercompany payables to be settled on the Distribution Date, as set forth in the description of the "Payables Transactions" on Schedule I hereto.

ARTICLE X

Termination

SECTION 10.01. Termination. This Agreement may be terminated by Brink's at any time, in its sole discretion, prior to the Distribution Date.

SECTION 10.02. Effect of Termination. In the event of any termination of this Agreement prior to the Distribution Date, neither Party (or any of its directors or officers) shall have any Liability or further obligation to the other Party.

ARTICLE XI

Miscellaneous

SECTION 11.01. Counterparts; Entire Agreement; Corporate Power. (a) This Agreement and each Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each party hereto or thereto and delivered to the other parties hereto or thereto.

(b) This Agreement, the Ancillary Agreements and the exhibits, schedules and appendices hereto and thereto contain the entire agreement between the Parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the Parties with respect to the subject matter hereof other than those set forth or referred to herein or therein.

(c) Brink's represents on behalf of itself and each other member of the Brink's Group, and BHS represents on behalf of itself and each other member of the BHS Group, as follows:

(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each Ancillary Agreement to which it is a party has been (or, in the case of any Ancillary Agreement, will be on or prior to the Distribution Date) duly executed and delivered by it and constitutes, or will constitute, a valid and binding agreement of it enforceable in accordance with the terms thereof.

(d) Each Party acknowledges that it and the other Party may execute this Agreement or any Ancillary Agreement by facsimile, stamp or mechanical signature. Each Party expressly adopts and confirms each such facsimile, stamp or mechanical signature made in its respective name as if it were a manual signature, agrees that it will not assert that any such signature is not adequate to bind such Party to the same extent as if it were signed manually and agrees that at the reasonable request of the other Party at any time it will as promptly as reasonably practicable cause this Agreement or any such Ancillary Agreement to be manually executed (any such execution to be as of the date of the initial date hereof or thereof). Furthermore, delivery of an executed signature page (whether executed manually or with a facsimile, stamp or mechanical signature) of this Agreement or any Ancillary Agreement by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof or thereof.

(e) Notwithstanding any provision of this Agreement or any Ancillary Agreement, neither Brink's nor BHS shall be required to take or omit to take any act that would violate its fiduciary duties to any minority shareholders of any non-wholly owned Subsidiary of Brink's or BHS, as the case may be (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).

SECTION 11.02. Governing Law. This Agreement and, unless expressly provided therein, each Ancillary Agreement, shall be governed by and construed and interpreted in accordance with the law of the State of New York irrespective of the choice of law principles of the State of New York, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

SECTION 11.03. Assignability. Except as set forth in any Ancillary Agreement, this Agreement and each Ancillary Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and permitted assigns; provided, however, that no party hereto or thereto may assign its rights or delegate its obligations under this Agreement or any Ancillary Agreement without the express prior written consent of the other parties hereto or thereto.

SECTION 11.04. Third Party Beneficiaries. Except for the indemnification rights under this Agreement of any Brink's Indemnitee or BHS Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement are solely for the benefit of the parties hereto or thereto and are not intended to confer upon any Person except the parties hereto or thereto any rights or remedies hereunder or thereunder and (b) there are no third party beneficiaries of this Agreement or any Ancillary Agreement and neither this Agreement nor any Ancillary Agreement shall provide any third person with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement.

SECTION 11.05. Notices. All notices or other communications under this Agreement or any Ancillary Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person, (b) sent by telecopier (except that, if not sent during normal business hours for the recipient, then at the opening of business on the next business day for the recipient) to the fax numbers set forth below or (c) deposited in the United States mail or private express mail, postage prepaid, addressed as follows::

If to Brink's, to:

The Brink's Company
P.O. Box 18100
1801 Bayberry Court
Richmond, Virginia 23226
Attn: Secretary
Facsimile: (804) 289-9765

If to BHS to:

Brink's Home Security Holdings, Inc.
8880 Esters Boulevard
Irving, Texas 75063
Attn: Secretary
Facsimile: (972) 871-3366

Either Party may, by notice to the other Party, change the address to which such notices are to be given.

SECTION 11.06. Severability. If any provision of this Agreement or any Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner materially adverse to either Party. Upon any such determination, the Parties shall negotiate in good faith in an effort to agree upon a suitable and equitable provision to effect the original intent of the Parties.

SECTION 11.07. Force Majeure. Neither Party shall be deemed in default of this Agreement or any Ancillary Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement or any Ancillary Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

SECTION 11.08. Publicity. Prior to the Distribution, each of BHS and Brink's shall consult with each other prior to issuing any press releases or otherwise making public statements with respect to the Distribution or any of the other transactions contemplated hereby and prior to making any filings with any Governmental Authority with respect thereto.

SECTION 11.09. Expenses. Except as expressly set forth in this Agreement or in any Ancillary Agreement, all third party fees, costs and expenses paid or incurred in connection with the Separation and the Distribution will be paid by Brink's.

SECTION 11.10. Headings. The article, section and paragraph headings contained in this Agreement and in the Ancillary Agreements are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement or any Ancillary Agreement.

SECTION 11.11. Survival of Covenants. Except as expressly set forth in this Agreement or any Ancillary Agreement, (a) the covenants in this Agreement and the liabilities for the breach of any obligations in this Agreement and (b) any covenants, representations or warranties contained in any Ancillary Agreement and any liabilities for the breach of any obligations contained in any Ancillary Agreement, in each case, shall survive each of the Separation and the Distribution and shall remain in full force and effect.

SECTION 11.12. Waivers of Default. Waiver by any party hereto or to any Ancillary Agreement of any default by any other party hereto or thereto of any provision of this Agreement or such Ancillary Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default.

SECTION 11.13. Specific Performance. Subject to Section 4.02 and notwithstanding the procedures set forth in Article VIII, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any Ancillary Agreement, the party or parties who are to be hereby or thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief of its rights under this Agreement or such Ancillary Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The other party or parties shall not oppose the granting of such relief. The parties to this Agreement and any Ancillary Agreement agree that the remedies at law for any breach or threatened breach hereof or thereof, including monetary damages, are inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived.

SECTION 11.14. Amendments. No provisions of this Agreement or any Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any party hereto or thereto, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

SECTION 11.15. Interpretation. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import, unless otherwise stated, shall be construed to refer to this Agreement or the applicable Ancillary Agreement as a whole (including all of the schedules, exhibits and appendices hereto or thereto) and not to any particular provision of this Agreement or such Ancillary Agreement. Article, Section, Exhibit, Schedule and Appendix references are to the articles, sections, exhibits, schedules and appendices of or to this Agreement or the applicable Ancillary Agreement unless otherwise specified. Any reference herein to this Agreement or any Ancillary Agreement, unless otherwise stated, shall be construed to refer to this Agreement or such Ancillary Agreement as amended, supplemented or otherwise modified from time to time, as permitted by Section 11.14 and the terms of any applicable provision in any Ancillary Agreement. The word "including" and words of similar import when used in this Agreement (or the applicable Ancillary Agreement) shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive.

SECTION 11.16. Jurisdiction; Service of Process. Any action or proceeding arising out of or relating to this Agreement or any Ancillary Agreement shall be brought in the courts of the State of Virginia located in the County of Henrico or in the United States District Court for the Eastern District of Virginia (if any party to such action or proceeding has or can acquire jurisdiction), and each of the parties hereto or thereto irrevocably submits to the exclusive jurisdiction of each such court in any such action or proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the action or proceeding shall be heard and determined only in any such court and agrees not to bring any action or proceeding arising out of or relating to this Agreement or any Ancillary Agreement in any other court. The parties to this Agreement or any Ancillary Agreement agree that any of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties hereto and thereto irrevocably to waive any objections to venue or to convenience of forum. Process in any action or proceeding referred to in the first sentence of this Section may be served on any party to this Agreement or any Ancillary Agreement anywhere in the world.

SECTION 11.17. Currency. Unless otherwise specified, all references to currency, monetary values and dollars in this Agreement and any Ancillary Agreement shall mean United States (U.S.) dollars and all payments shall be made in U.S. dollars.

SECTION 11.18. Late Payments. Except as expressly provided to the contrary in this Agreement or in any Ancillary Agreement, any amount not paid when due pursuant to this Agreement or any Ancillary Agreement shall accrue interest at a rate per annum equal to the Prime Rate plus 2%.

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives.

THE BRINK'S COMPANY,

by /s/ Michael Dan

Name: Michael T. Dan

Title: President and Chief Executive Officer

BRINK'S HOME SECURITY HOLDINGS, INC.,

by /s/ Robert B. Allen

Name: Robert B. Allen

Title: President and Chief Executive Officer

Schedule I
Internal Transactions

The Internal Transactions will take place in the following steps, all of which will occur prior to the Distribution in the following order.

Step 1: First Internal Share Distribution. Brink's Holding Company will dividend 100% of the stock of BHS Inc. to Brink's Holding Company's sole shareholder, Pittston Services Group, Inc.

Step 2: Second Internal Share Distribution. Pittston Services Group, Inc. will dividend 100% of the stock of BHS Inc. to its sole shareholder, Brink's.

Step 3: Payables Transactions. Immediately prior to the Payables Transactions, the following intercompany payables will be outstanding:

- a payable from Brink's to BHS Inc., in the form of an intercompany loan (the "Distributing Payable");
- a payable from BHS Inc. to Guarding, in connection with BHS Inc.'s sublicense of intellectual property from Guarding (the "BHS Inc. Payable"); and
- a payable from BHS Canada to Guarding, in connection with BHS Canada's sublicense of intellectual property from Guarding (together with the BHS Inc. Payable, the "BHS Payables").

The Payables Transactions will consist of the following transactions: Brink's will assume the BHS Payables and, in exchange for such assumption, BHS Inc. (a) will transfer 100% of the outstanding capital stock of Guarding to Brink's and (b) will forgive the Distributing Payable. The amount by which the BHS Payables exceed the sum of (i) the fair market value of Guarding and (ii) the Distributing Payable will be deemed a contribution by Brink's to BHS Inc. for U.S. federal income tax purposes.

Step 4: Internal Share Contribution. Brink's (a) will contribute to BHS 100% of the outstanding capital stock of BHS Inc. and (b) will contribute to BHS cash in an amount equal to \$50 million, as contemplated by the pro forma balance sheet included in the Form 10.

Step 5: BHS Share Recapitalization. Whether before, after or simultaneously with Step 4 above, Brink's will cause the recapitalization of BHS so that the number of outstanding shares of BHS capital stock will be equal to the number of shares that will be distributed in the Distribution.

APPENDIX D

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

10-K 1 d10k.htm FORM 10-K

Brink's Network, Inc. v. Brinkmann Corp.
Opposition No. 91164764
Offering Party: Brink's Network, Inc.
Appendix D

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-34088

Brink's Home Security Holdings, Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

80-0188977
(I.R.S. Employer
Identification No.)

8880 Esters Boulevard, Irving, TX 75063
(Address of principal executive offices) (Zip Code)

(972) 871-3500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, no par value

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2009, the aggregate market value of the voting and non-voting common equity held by non-affiliates was \$1,292,671,261. For purposes of this calculation, the registrant has assumed that stockholders that are not officers or directors of the registrant are not affiliates of the registrant.

As of February 23, 2010, there were issued and outstanding 45,872,480 shares of common stock.

Documents incorporated by reference: Part III incorporates information by reference from portions of the Registrant's definitive 2010 Proxy Statement.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2009
TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	9
Item 1B. <u>Unresolved Staff Comments</u>	14
Item 2. <u>Properties</u>	14
Item 3. <u>Legal Proceedings</u>	14
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	14
PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities</u>	15
Item 6. <u>Selected Financial Data</u>	16
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	36
Item 8. <u>Financial Statements and Supplementary Data</u>	38
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	63
Item 9A. <u>Controls and Procedures</u>	63
Item 9B. <u>Other Information</u>	64
PART III	
Item 10. <u>Directors, Executive Officers, and Corporate Governance</u>	64
Item 11. <u>Executive Compensation</u>	64
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	64
Item 13. <u>Certain Relationships and Related Transactions and Director Independence</u>	64
Item 14. <u>Principal Accountant Fees and Services</u>	64
PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	64

Table of Contents**PART I****ITEM 1. BUSINESS*****Overview***

Brink's Home Security Holdings, Inc., which was incorporated in Virginia in 2008, is a full service provider of residential and business security systems. We conduct business in one operating segment primarily through our operating subsidiary, Broadview Security, Inc. ("Broadview Security"), which markets, installs, services, and monitors security alarm systems throughout North America. We serve approximately 1.4 million customers in the United States and two Canadian provinces. We have developed a reputation for reliability and superior service by making high quality and affordable monitored alarm systems widely available to homeowners and businesses. We believe we are the second largest provider of security alarm monitoring services for residential and commercial properties in North America.

As used in this Report, (a) references to "Holdings," "Company," "we," "us" and "our" refer to Brink's Home Security Holdings, Inc. and its consolidated subsidiaries, including Broadview Security, after the spin-off transaction described below, and (b) references to the "Company" on a historical basis, prior to the spin-off, refer to Brink's Home Security, Inc. and its consolidated subsidiaries, in each case unless the context requires otherwise.

Recent Developments

On January 18, 2010, we announced that we signed a definitive agreement and plan of merger ("Merger Agreement") to be merged into a wholly-owned subsidiary of Tyco International Ltd ("Tyco") in a transaction valued at approximately \$2.0 billion (the "Merger"). Under the terms of the Merger Agreement, for each share of our common stock outstanding, our shareholders will generally have the right to receive, at the election of the shareholder, (a) 42.50 in cash (subject to proration to reflect an overall cap on the amount of cash to be paid by Tyco), (b) a combination of \$12.75 in cash and a fraction of a Tyco share equal to \$29.75 divided by the volume weighted-average price of Tyco's shares on the New York Stock Exchange ("NYSE") during the 10-trading day period ending on the fourth full day prior to the closing date, subject to collar between \$32.97 and \$40.29, or (c) Tyco shares equal to \$42.50 divided by the volume weighted-average price detailed in (b) above, subject to the same collar. The Merger is subject to customary closing conditions, various regulatory approvals and approval of our shareholders. We currently expect the Merger to close in the second or third quarter of calendar year 2010. Upon closing of the Merger, we anticipate that Broadview Security will be combined with Tyco's ADT security business under the ADT brand.

History of Our Business

Broadview Security, formerly Brink's Home Security, Inc., was incorporated in Delaware in 1983 as a wholly owned subsidiary of The Brink's Company ("BCO") to address the growing home security market. Broadview Security became a wholly-owned subsidiary of Holdings upon completion of the spin-off transaction described below.

On September 12, 2008, the Board of Directors of BCO approved the separation of BCO into two independent, publicly traded companies through the distribution of 100% of the common stock of Brink's Home Security, a wholly-owned subsidiary of BCO, to shareholders of BCO (the "Spin-off"). To effect the Spin-off, BCO transferred all outstanding shares of Brink's Home Security to Holdings, another wholly owned subsidiary of BCO, through a series of transactions pursuant to a Separation and Distribution Agreement between BCO and Holdings. On October 31, 2008, BCO distributed all of the shares of Holdings to the stockholders of BCO at a ratio of one share of Holdings common stock for each share of BCO common stock held by each such holder as of the record date of October 21, 2008. On November 3, 2008, after completion of the Spin-off, we began trading "regular way" as an independent public company on the NYSE under the symbol "CFL", reflecting our corporate mission of creating "Customers For Life."

In connection with the Spin-off, we entered into a Brand Licensing Agreement with a subsidiary of BCO. Under the agreement, we are entitled to use certain BCO trademarks for no more than three years from the Spin-off date. We announced Broadview Security as our new brand name on June 30, 2009 and have begun the process to transition away from our heritage name. The change was a name change only. The corporate structure and management of the Company remain the same. We began marketing efforts in July 2009 to promote brand awareness through advertisements via television media, internet, direct mail, yellow pages, and messaging to our existing subscriber base (the "Brand Introduction"). The Brand Introduction also includes costs to create the new brand, convert building signage, re-decal our vehicle fleet, issue new technician uniforms, change customer yard signs, and other similar brand conversion activities. We monitor the awareness, perception, and acceptance of the Broadview Security brand name periodically to guide us on the method, extent, and duration of the Brand Introduction and to determine if we will cease to use our heritage brand name prior to the termination of the Brand Licensing Agreement with BCO on October 31, 2011. Future spending on the Brand Introduction and use of our heritage name is contingent on the outcome of the Merger.

Table of Contents***Business Fundamentals***

We serve a geographically diverse customer base of approximately 1.4 million subscribers located throughout the United States and Western Canada. Our primary customers are residents of single-family homes, which comprise more than 93% of our subscriber base. The majority of new customers are generated organically through our internal sales force, while the remainder is acquired through our authorized dealer program and, to a lesser extent, through partnerships with leading home builders.

We view our business as having two key activities: managing our existing customer base and acquiring new customers. We operate our business with the goal of retaining customers for long periods of time to recoup the initial investment in new subscribers, achieving cash flow break-even in approximately four years. Management of the existing subscriber base is focused on low customer attrition, or customer disconnect rate, which has ranged from 7.0% to 8.2% annually over the past three years.

The predictability of our revenues has enabled us to generate stable cash flow from operations, a substantial portion of which is reinvested each year, at our discretion, to grow the subscriber base. Our ending subscriber base grew 4.4% in 2009, as compared to 6.3% growth in 2008. Growing the subscriber base requires significant upfront cash investment, consisting primarily of direct materials and labor to install the security systems, direct sales costs, indirect sales costs, marketing costs, and administrative costs related to installation activities. For the last few years, our average total upfront cash outlay for a new customer security system installed by one of our field offices, including amounts expensed and capitalized, has ranged from approximately \$1,350 to \$1,700. This amount does not take into account upfront installation fees collected from customers, which, on average, have ranged from \$250 to \$340. Including these payments, our net cash cost per new installation in recent periods has ranged from \$1,100 to \$1,360. The economics of our installation business varies slightly depending on the customer acquisition channel.

On average, each of our existing subscribers pays us approximately \$33 per month in recurring cash revenue. The average recurring cash revenue per customer has grown consistently each year as new customers acquired have higher average cash revenue rates. In 2009, the average cash revenue per customer grew 4.5%. We use the cash margin generated on that revenue to offset the initial investment made in new subscribers. Our focus on keeping customer disconnect rates low is fundamental to the success of our economic model.

We are subject to a certain level of seasonality in our operations. Since more household moves take place during the second and third quarters of each year, our disconnect rate and related non-cash expenses are typically higher in those quarters than in the first and fourth quarters. There is a slight seasonal effect on our new customer installation volume and related cash expenses incurred in investment in new subscribers; however, other factors, such as the level of marketing expense, can offset that effect of seasonality.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 – Geographic Information, for more information regarding monthly recurring revenue, subscriber growth, disconnect rates, adjusted EBITDA from recurring services, adjusted cash invested in new subscribers, and financial information about geographic areas over the past three years.

Marketing and Sales

To grow the subscriber base and to create brand awareness, we market our security systems through national television advertisements, internet advertising, yellow pages, direct mail, alliances with other consumer-based companies, inbound telemarketing, and sales specialists in both Company field offices and our dealer network. Our "direct response" marketing efforts are designed to generate and direct telephone calls and internet traffic into our centralized inbound telemarketing sales group. In addition, on a localized basis, we participate in many different types of local events to promote our services to prospective customers, including home shows, family expos, retail events, and various industry trade shows and meetings. Our marketing efforts primarily focus on credit worthy homeowners that are desirous of security monitoring services.

Table of Contents

Sales are generally closed over the telephone by the centralized sales group or by field sales personnel during on-site consultations with prospective customers. Our reliance on strict standards for our internal sales force and our dealers enables us to better control the sales process from inception to installation and manage the quality of customer service over the life of the contract. Other sales distribution channels include:

- our field sales force, which self-generates additional sales from prospective residential and commercial customers;
- our authorized dealer network, which cost-effectively extends our reach into new geographic areas by aligning with select independent security installers; strategic alliances with other service companies, including home inspection firms, which target new home owners early in the home buying process;
- our new housing construction customer acquisition ("Builder") division. Builder, which partners with large national and regional homebuilders to install home security systems, home networking, communications, and home theater and entertainment systems, directly for the owners of new homes and homes under construction;
- and our national account team, which generates sales from commercial clients with multiple locations.

Although our business is concentrated in residential security, we also market and sell security systems and monitoring services to the commercial market. We believe that expansion of our commercial customer base is a significant growth opportunity for us. Commercial security customers represented approximately 5% of our total customer base as of December 31, 2009. Although we have recently focused on developing the commercial mid-market, historically our commercial business has consisted of primarily small business clients. We are continuing to develop additional capabilities and geographic reach in commercial security to expand beyond small business into more sophisticated, complex installations and services. During 2009, commercial installation volume, representing approximately 7% of total new customer installations, decreased by 10% from prior year due to the economic downturn.

Services and Products

Monitoring services are generally governed by our standard Protective Service Agreement. Under this agreement, the customer pays the initial installation fee and is then obligated to make monthly payments for the remainder of the initial contract term. The standard term for our Protective Service Agreement is three years, which automatically renews for additional one year periods unless cancelled by either party, except in six states where state law requires the renewal period to be month-to-month. If a customer cancels the contract prior to the end of the initial or roll-over contract term or is otherwise in default, we have the right under the contract to receive from the customer an amount equal to all remaining monthly payments.

Monitoring services are generally billed monthly in advance. Approximately 47% of our subscribers pay us through automated payment methods. We periodically adjust the standard monthly monitoring rate charged to new subscribers. From time to time, we also may adjust the monthly rates of our existing subscribers who have completed their initial contract terms.

In addition to monitoring service, we provide technical service to our subscriber base for routine maintenance and installation of additional equipment. More than half of the subscriber base is enrolled in a service plan which generates incremental recurring monthly revenues. Service contracts comprise the majority of service revenue, with on-call service fees constituting the balance of service revenue.

Generally, we retain ownership of the security equipment used in our monitoring services. However, certain products, installed primarily through our Builder and commercial distribution channels, may be sold directly to the customer. These products include video surveillance equipment, access control, commercial fire alarm systems, wiring for home communications networks, home theater systems, intercom, multi-room sound systems and some security systems.

We select, install and service high quality security products. Our customized control panel is manufactured by a third party to our rigorous specifications. This enhanced control panel and its family of related peripheral components are capable of supporting the vast majority of residential applications and a significant number of commercial applications. We offer a wide variety of high quality detection sensors which communicate with our control panel. These include motion detectors, glass break detectors, perimeter door and window sensors, and smoke and carbon monoxide detectors.

The majority of our subscribers use standard land-line telephone service as the primary communication method for alarm signals from their sites. However, the capability to provide alternative communication methods from a subscriber's control panel to our central monitoring stations has become increasingly important. We currently offer a variety of alternate alarm communication methods including cellular, digital radio and broadband internet.

Table of Contents***Field Operations***

We operate 67 field offices located throughout the United States and Western Canada, from which locations we provide services for pre-defined ZIP code-based territories including sales calls, security system installations, and field service and repair. Our technical staff of approximately 1,100 technicians provides installation and service support from our field office locations. We have approximately 500 field sales consultants, each of whom completes comprehensive centralized training prior to conducting customer sales presentations. We staff our field offices to efficiently and effectively make sales calls, install security systems, and provide service support based on near-term activity forecasts for each market.

Dealer Network

To expand our geographic coverage and leverage our national advertising, we have an extensive dealer network, which consists of approximately 248 authorized dealers operating in over 40 states. In 2009, our dealer network accounted for 27% of new customer installations and 14% of the total subscriber base. We purchase newly installed security systems and related monitoring contracts from our dealers. We conduct thorough due diligence on each dealer to ensure reliability and consistent high quality installations. Authorized dealers are generally required to adhere to the same high quality standards for both installation and service support as Company-owned field offices. Subscribers secured by our dealers are geographically diverse and are primarily single-family homeowners.

We provide dealers with a full range of services designed to assist them in all aspects of their business including sales opportunities, sales and technician training, detailed weekly account summaries, sales support materials, and discounts on security system hardware and installation supplies purchased through our third-party distributor.

Typically, we have a right of first refusal to purchase sites and related customer relationships sold by authorized dealers, but are not obligated to acquire these sites. Subscriber contracts typically have an initial term of three years and automatically renew on an annual basis. If a contract is canceled during an initial guarantee period, generally 12 to 18 months, the dealer is required to reactivate the site and contract, or refund the purchase price. To help ensure the dealers' obligations, we typically withhold a portion of the purchase price for each site.

Monitoring Facilities and Services

We have two monitoring facilities located in Irving, Texas and Knoxville, Tennessee. We employ approximately 700 customer care and monitoring professionals who have completed extensive initial training and continue to receive ongoing training. Both facilities hold Underwriters' Laboratories ("UL") listings as protective signaling services stations. UL specifications for monitoring centers cover building integrity, back-up computer and power systems, staffing, and standard operating procedures. Many jurisdictions have laws requiring that security alarms for certain buildings be monitored by UL-listed facilities. In addition, a UL listing is required by insurers of certain commercial customers as a condition of coverage. In the event of an emergency at one of our two monitoring facilities (e.g., fire, tornado, major interruption in telephone or computer service, or any other event affecting the functionality of the facility), all monitoring operations can be automatically transferred to the other facility. Additionally, many non-operator employees at each facility are cross-trained as operators, should there be a short-term or emergency need for additional monitoring operators.

Both of our monitoring facilities operate 24 hours a day on a year-round basis. Incoming alarm signals are routed via an internal communications network to the next available operator in either facility. Operators are quickly updated with information including the name and location of the customer and site, and the nature of the alarm signal. Depending upon the type of service specified by the customer contract, operators respond to emergency-related alarms by calling the customer by telephone (for verification purposes) and relaying information to local fire or police departments, as necessary. Additional action may be taken by the operators as needed, depending on the specific situation.

Customer Care

We maintain a service culture aimed at creating "Customers for Life," the basis for our stock market ticker "CFL," because developing customer loyalty and retention are critical to our long-term success. We take a disciplined approach to selecting the right customers and providing high quality customer service. The customer selection process focuses on evaluating the customer's ability to honor the standard three-year contract through pre-sale credit evaluation. To maintain our high standard of customer service, we provide high quality training to call center employees, field employees, and dealer personnel. We also continually measure and monitor key operating and financial metrics. We have received awards for our monitoring and customer service, including six consecutive years of recognition by J.D. Power and Associates for delivering "An Outstanding Customer Service Experience" for call center operations and customer satisfaction excellence.

Table of Contents

Our employees are trained to provide high quality service through prompt handling of calls and quick resolution of most subscriber issues. We use a customized information system that quickly and accurately provides our customer care specialists with technical and administrative information regarding customers and their security systems, including detailed account and site history. This system enables our personnel to resolve most customer issues with a single contact. Our emphasis on customer service results in fewer false alarms, more satisfied customers, and better customer retention rates. Customer care specialists answer non-emergency telephone calls regarding service, billing and alarm activation issues. Our two monitoring centers provide telephone and Internet coverage 24 hours a day on a year-round basis. To ensure that technical service requests are handled promptly and professionally, all requests are routed through our customer contact centers. Customer care specialists help customers resolve minor service and operating issues related to security systems. In many cases, the customer care specialist is able to remotely resolve technical issues by downloading data directly into the alarm panel at the site. When an issue is not correctable from the customer contact center, our specialist can schedule a field technician service appointment during the same telephone call.

Suppliers

We do not manufacture the equipment used in our security systems. Equipment is purchased from a limited number of suppliers and distributors. We maintain minimal inventories of equipment at each field office. Safety stock on certain key items is maintained by third-party distributors to cover minor supply chain disruptions. We do not anticipate any major interruptions in our supply chain.

Industry Trends and Competition

The monitored security industry has historically been growing steadily, with revenue growth at an estimated compounded annual rate of 7% over the 2004-2008 timeframe. We have grown revenue at an average annual rate of 11% over the 2004-2008 timeframe. This time period includes the housing correction that began in 2006. We believe the factors driving this growth include heightened security concerns about crime rates, an aging and wealthier population, an increase in dual income households, an increase in business travel, and changes in personal time away from the home.

The security monitoring industry is highly fragmented, with the top five companies comprising only about 40% of the total market. Remaining competitors include more than 10,000 local and regional companies, the vast majority of which generate annual revenue of less than \$500,000. We believe our primary competitors with national scope include:

- ADT Security Services, Inc., a wholly owned subsidiary of Tyco International, Ltd.
- Protection One, Inc.
- Monitronics International, Inc.
- Stanley Security Solutions, a part of The Stanley Works

We generally are recognized as the second largest provider of monitored security services to residential and commercial properties in North America. The North American monitored residential and commercial security industry was estimated to have revenues of approximately \$14 billion in 2008. We believe that security industry penetration of U.S. Households is relatively low, estimated to be from 17% to 22%, providing significant opportunity for future growth and increased market share. We believe the differentiating factors contributing to our growth over the past several years are our high quality customers, centralized training to all field personnel and dealer representatives, standardized security systems, and service culture aimed at creating "Customers for Life." At an estimated \$8 billion, the commercial market is larger than the estimated \$6 billion residential market, but commercial customers comprise only about 5% of our subscriber base.

Success in the residential and commercial markets depends on a variety of factors including company reputation, market visibility, service quality, product quality, price, and the ability to identify and solicit prospective customers. There is substantial competitive pressure on installation fees and monitoring rates. Several significant competitors offer installation prices that match or are lower than our prices. Other competitors charge significantly more for installation but may charge less for monitoring. We believe that our monitoring and service rates are competitive compared to rates offered by other major security companies.

Table of Contents***Employees***

As of December 31, 2009, we employed approximately 3,400 people, and we believe our employee relations are good.

Government Regulation and Other Regulatory Matters

Our U.S. operations are subject to various federal, state and local consumer protection laws, licensing laws, and other laws and regulations. Most states have licensing laws that apply specifically to the alarm industry. In certain jurisdictions, we must obtain licenses or permits in order to comply with standards governing employee selection, training and business conduct. Our Canadian operations are subject to the national laws of Canada, and the provincial laws of British Columbia and Alberta.

Our business relies primarily on the use of standard fixed-wireline telephone service to transmit alarm signals. Fixed-wireline telephone companies, the cost of telephone lines, and the type of equipment used in telephone line transmission are regulated by the federal and state governments. The Federal Communications Commission and state public utilities' commissions regulate the operation and use of wireless telephone and radio frequencies.

Our advertising and sales practices are regulated by the U.S. Federal Trade Commission and state consumer protection laws. In addition, we are subject to certain administrative requirements and laws of the jurisdictions in which we operate. These laws and regulations include restrictions on the manner in which we promote the sale of our security alarm services and require us to provide purchasers of our services with rescission rights.

Some local government authorities have adopted or are considering various measures aimed at reducing false alarms. Such measures include requiring permits for individual alarm systems, revoking such permits following a specified number of false alarms, imposing fines on alarm customers or alarm monitoring companies for false alarms, limiting the number of times police will respond to alarms at a particular location after a specified number of false alarms, and requiring additional verification of an alarm signal before the police respond.

The alarm industry is also subject to requirements imposed by various insurance, approval, and listing and standards organizations. Depending upon the type of customer, security service provided, and requirements of the applicable local governmental jurisdiction, adherence to the requirements and standards of such organizations is mandatory in some instances and voluntary in others.

There can be no assurance that new or revised laws will not impact our business, as change in regulation could have a material and adverse effect on us. New or revised regulations could require us to alter our business practices in a manner that we may deem to be unacceptable which could slow our growth opportunities. The failure to comply with such regulations could result in the imposition of material fines, penalties, or injunctions.

Available Information

We maintain internet websites under the names www.broadviewsecurity.com and www.brinkshomesecurity.com. We make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, on our websites as soon as reasonably practicable after providing such reports to the SEC.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and other documents with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act, as amended. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including Brink's Home Security Holdings, Inc., that file electronically with the SEC. The public can obtain any document we file with the SEC at www.sec.gov. Information contained on, or connected to, our websites is not incorporated by reference into this Form 10-K and should not be considered part of this report or any other filing that we make with the SEC.

Table of Contents**ITEM 1A. RISK FACTORS**

We are exposed to risks in the operation of our business. Some of these risks are common to all companies doing business in the industry in which we operate and some are unique to our business. These risk factors should be considered carefully when evaluating our business. The occurrence of one or more of these events could significantly and adversely affect our business, prospects, financial condition, and results of operations or cash flows.

RISKS RELATED TO COMPLETION OF THE MERGER

The pendency of the Merger could materially, adversely affect our future business and operations or result in a loss of our employees or dealers.

In connection with the pending Merger with Tyco, it is possible that some customers, suppliers and other persons with whom we have a business relationship may delay or defer certain business decisions, which could negatively impact our revenues, earnings and cash flows, and the market price of our common stock, regardless of whether the Merger is completed. Similarly, our current and prospective employees or dealers operating in our dealer network may experience uncertainty about their future roles with us following the completion of the Merger, which may materially adversely affect our ability to attract and retain key employees or dealers. In addition, the Merger Agreement restricts our ability to take certain specified actions without the consent of Tyco until the Merger occurs. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the Merger.

The Merger may adversely impact the tax-free status of our spin-off from BCO, which could result in material liabilities to us under the tax matters agreement with BCO.

Although we believe that the Merger will not adversely impact the tax-free status of our spin-off from BCO, it is possible that the Internal Revenue Service (the "IRS") may assert that the Merger would cause the spin-off to be treated as a taxable transaction for U.S. federal income tax purposes to BCO. If the IRS were to be successful in any such contention, or if for any other reason we were to take actions that would cause the spin-off to be treated as a taxable transaction, under the tax matters agreement entered into between us and BCO at the time of the spin-off, we would be obligated to indemnify BCO as a result of the failure of the tax-free status of the spin-off to be preserved, which would result in material liabilities to us.

If the Merger is not completed, our ongoing business may be adversely affected and we will be subject to several risks and consequences, including the following:

- we may be required, under certain circumstances, to pay Tyco a termination fee of either \$45.0 million or \$87.5 million under the Merger Agreement;
- we will be required to pay certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor, and printing fees;
- under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the Merger which may adversely affect our ability to execute our business strategies; and
- matters relating to the Merger may require our management team to commit substantial time and resources, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

In addition, if the Merger is not completed, we may experience negative reactions from the financial markets and from our customers, employees or dealers. We also could be subject to litigation related to any failure to complete the Merger or to enforcement proceedings commenced against us to perform our obligations under the Merger Agreement.

The proposed Merger is subject to the receipt of consents and approvals from government entities that may impose conditions that could have an adverse effect on us or could delay or prevent the completion of the Merger.

Completion of the Merger is conditioned upon, among other things, the expiration or termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The reviewing authorities may not permit the Merger at all or may impose restrictions or conditions on the completion of the Merger. There is no assurance that we will obtain these necessary governmental approvals to complete the Merger. In addition, any delay in the completion of the Merger from the failure to obtain such approvals could diminish the anticipated benefits of the Merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the proposed Merger.

Table of Contents**OTHER RISK FACTORS**

We are subject to contractual limitations on the use of certain BCO trademarks which have required us to develop a new brand for our business.

Prior to the Spin-off, we operated as a subsidiary of BCO, and marketed our products and services using BCO's brand name and logos. In connection with the Spin-off, we entered into a Brand Licensing Agreement with a subsidiary of BCO that grants us the right to use certain trademarks, in the United States, Canada and Puerto Rico in connection with the provision of certain products and services. These rights will extend for a period no longer than three years (that is, until October 31, 2011), subject to certain terms and conditions, after which we will no longer have the right to use BCO's brand name. In addition, following the expiration of a five-year non-compete agreement between us and BCO on October 31, 2013, BCO will be able to operate a separate alarm monitoring business using their brand name in the United States, Canada and Puerto Rico.

We have incurred and may continue to incur significant expense in connection with building recognition of our new brand.

On June 30, 2009, we announced our new brand name, Broadview Security. In doing so, we have incurred costs associated with developing our new brand and will incur substantial costs in building recognition of our new brand. There is uncertainty regarding the timing, duration and the amount of the total expenses that may be incurred in the brand building effort. These expenses are dependent, among other things, on general economic and strategic marketing decisions that will be made during the transition to the new brand, and are therefore subject to change.

Our new brand may not achieve similar brand recognition as our heritage brand, which could adversely affect our business and profitability.

As we continue to develop the Broadview Security brand name for potential and existing customers, there is some risk that the volume of new installations and the disconnect rate could be negatively impacted. Despite our efforts, we may not be successful in achieving an acceptable level of recognition of our new brand. If we are not successful in achieving recognition for our new brand, our competitive position may be weakened and we may lose market share.

If our Spin-off from BCO were to lose its tax-free status due to actions taken by us, we would be required to indemnify BCO for certain liabilities under our Tax Matters Agreement with BCO.

BCO received a private letter ruling from the IRS to the effect that, among other things, the Spin-off qualified for tax-free treatment under Section 355 of the Internal Revenue Code. The ruling was based upon representations by BCO that necessary conditions had been satisfied, and any inaccuracy in such representations could invalidate the ruling. If the IRS were to determine that the Spin-off does not qualify for tax-free treatment under Section 355 of the Code, then a U.S. holder that received our shares in the Spin-off would be treated as having received a distribution to the extent of the fair market value of the shares received on the Spin-off date. That distribution would be treated as taxable dividend income to the extent of such holder's ratable share of the current and accumulated earnings and profits of BCO, if any. Any amount that exceeds such share of earnings and profits of BCO would be treated first as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in its shares of common stock of BCO (thus reducing such adjusted tax basis) with any remaining amounts being treated as capital gains.

Generally, taxes resulting from the Spin-off failing to qualify for tax-free treatment for U.S. Federal income tax purposes would be imposed on BCO and BCO's shareholders. Under the Tax Matters Agreement, however, we would be required to indemnify BCO and its affiliates against all tax-related liabilities caused by such failure to the extent those liabilities arose as a result of an action taken by us or our affiliates or otherwise resulted from any breach of any representation, covenant or obligation of us or our affiliates under the Tax Matters Agreement or any other agreement entered into by us in connection with the Spin-off.

We are contingently responsible for certain of BCO's contingent and other corporate liabilities.

As a former subsidiary of BCO, we are jointly and severally liable with BCO, and with certain other current and former subsidiaries of BCO, for two kinds of health benefits for employees of BCO former coal operations. First, we and BCO are jointly and severally liable for the ongoing provision of postretirement health benefits. To fund the considerable costs of these benefits, BCO established a Voluntary Employees' Beneficiary Associate trust ("VEBA"). It is possible that the VEBA may be underfunded, in which case we and BCO could be required to provide additional funding. Second, we are jointly and severally liable to pay certain postretirement health premiums through September 2010. Although we continue to be jointly and severally liable with BCO for these liabilities and expenses, BCO has agreed to indemnify us for any and all costs relating to these liabilities and expenses. However, it is possible that BCO will be unwilling or unable to make these payments in which case we could be required to do so.

Table of Contents

As a former subsidiary of BCO, and with certain other current and former subsidiaries of BCO, we have a joint and several liability with BCO to the IRS for the consolidated federal income taxes of the BCO group relating to the taxable periods ending on or prior to the Spin-off. Although we continue to be jointly and severally liable with BCO for this liability under the Tax Matters Agreement, BCO has agreed to indemnify us for amounts relating to this liability to the extent not attributable to our liabilities. However, it is possible that BCO will be unwilling or unable to make these payments in which case we could be required to do so. Under the Tax Matters Agreement, we are required to indemnify BCO and its affiliates for tax liabilities attributable to us and resulting from audit adjustments for taxable periods during which we were a member of the BCO consolidated group.

We are susceptible to downturns in the housing market and consumer discretionary income, which may inhibit our ability to sustain subscriber base growth rates.

Demand for alarm monitoring services is affected by the turnover in the housing market. Downturns in the rate of the sale of new and existing homes, which we believe drives a substantial portion of our new customer volume in any given year, would reduce opportunities to make sales of new security systems and services and reduce opportunities to take over existing security systems. With the extended slowdown in housing sales and the deterioration in the overall consumer environment, our new installation growth rate has progressively slowed during the last three years. We sustained a decline in new customer installations in 2009 as compared to 2008 and 2007. In addition, because of personal economic circumstances, current security alarm customers may decide to disconnect our services in an effort to reduce their monthly spending and may default on their remaining contractual obligations to us. Our long-term revenue growth rate depends on installations exceeding disconnects. If the housing market downturn is prolonged, our revenues and cash flow may be adversely affected. If the general economic downturn is prolonged, this could lead to an increase in customer disconnects and defaults, and may also adversely affect our revenues and cash flow.

Our financial results may be negatively impacted by recent financial events.

Recent financial events have resulted in the consolidation, failure or near failure of a number of institutions in the banking, insurance and investment banking industries and have substantially reduced the ability of companies to obtain financing. These events have also led to a substantial reduction in stock market valuations and job losses, and could have a number of different effects on our business, including:

- a reduction in consumer spending, which could result in increased customer disconnects and/or a reduction in new customer additions;
- a negative impact on the ability of our existing customers to timely pay their obligations to us, thus reducing our cash flow;
- an increased likelihood that one or more of our banking institutions may be unable or unwilling to honor its commitments under our revolving credit facility; and
- restricted access to capital markets that may limit our ability to take advantage of business opportunities, such as acquisitions.

Other events or conditions may arise directly or indirectly from financial events that could negatively impact our business.

We rely on a significant number of our subscribers remaining with us as customers for long periods of time.

We incur significant upfront cash costs for each new subscriber. It requires a substantial amount of time for us to receive cash payments (net of our recurring cash costs) from a particular subscriber that are sufficient to offset this upfront cost, with that period currently averaging approximately four years. Accordingly, our long-term profitability is dependent on our subscribers remaining with us as customers for long periods of time. This requires that we minimize our rate of subscriber disconnects, or attrition. Factors that can increase disconnects include customers who relocate and do not reconnect, problems with our service quality, an economic slowdown and the affordability of our service. If we fail to keep our subscribers for a sufficiently long period of time, our financial position and results of operations could be adversely affected.

Shifts in our customers' choice of telecommunications services and equipment could adversely impact our business and require significant capital expenditures.

Certain elements of our operating model have historically relied on our customers' continued selection and use of traditional land-line telecommunications to transmit alarm signals to our monitoring centers. There is a growing trend for customers to switch to the exclusive use of cell-phone, satellite, or internet communication technology in their homes and businesses, and we anticipate telecommunication providers to permanently switch from land-line to broadband communications in the future. The use of communications other than land-line would require customers to upgrade to alternative, and often more expensive, technologies to transmit alarm signals, which generally result in increased recurring revenues for us. This, however, could increase our customer attrition rates, slow down our new subscriber rates, or reduce our ability to attract a sufficient volume of new customers. In the future,

we may not be able to successfully implement new technologies or adapt existing technologies to changing market demands. If we are unable to adapt timely to changing technologies, market conditions, or customer preferences, it could adversely affect our business.

Table of Contents***We operate in a highly competitive industry.***

The monitored security alarm industry is subject to significant competition and pricing pressures. We experience competitive pricing pressures on both installation fees and monitoring rates. Several significant competitors offer installation fees that match or are lower than our prices. Other competitors charge significantly more for installation but, in many cases, less for monitoring. Competitive pressure on monitoring and service fees is significant. We believe that the monitoring and service fees we offer are generally competitive with rates offered by other major security companies. Continued pricing pressure could adversely impact our customer base or pricing structure and have an adverse effect on our results of operations.

We also face potential competition from improvements in self-monitoring systems, which enable customers to monitor their home environment without third-party involvement. Advances in self-monitoring systems could progress to the point where we could be at a competitive disadvantage. Similarly, it is possible that one or more of our competitors could develop a significant technical advantage over us that allows them to provide additional service or better quality service or to lower their price, which could put us at a competitive disadvantage. Either development could adversely affect our growth and results of operations.

We may pursue additional customer acquisition channels and strategic alliances, which may cause operating margins to suffer.

We may expand our presence in the commercial alarm installation and monitoring market. We may also continue to evaluate other business opportunities, including expanding our services, adding customer acquisition channels, and forming new alliances with companies to market our security systems and services. This could result in our cost of investment in new subscribers growing at a faster rate than installations and related recurring revenue. Additionally, any new alliances or customer acquisition channels could have higher cost structures than our current arrangements, which could reduce operating margins and require more working capital. In the event that working capital requirements exceeded operating cash flow, we might be required to draw on our credit facility or pursue other external financing, which may not be readily available.

We rely on third party providers for the components of our security systems and any failure or interruption in products or services provided by these third parties could harm our ability to operate our business.

The components for the security systems that we install are manufactured by third parties. We are therefore susceptible to interruptions in supply and to the receipt of components that do not meet our high standards. Any financial or other difficulties our providers face may have negative effects on our business. We exercise little control over our suppliers, which increases our vulnerability to problems with the products and services they provide. Any interruption in supply could cause delays in installations and repairs and the loss of current and potential customers. Also, if a previously installed component were found to be defective, we might not be able to recover the costs associated with its repair or replacement, and the diversion of technical personnel to address such an issue could affect subscriber, revenue, and profit growth.

An interruption to our monitoring facilities from a disaster could adversely affect our business.

A disruption to our monitoring facilities could disrupt our ability to provide alarm monitoring services and serve our customers which could have a material adverse effect on our business. The disruption could occur for many reasons, including fire, natural disasters, weather, disease, transportation interruption, or terrorism. However, these risks are mitigated through the existence of our two fully redundant monitoring facilities. In the event of an emergency at one of our two monitoring facilities, all monitoring operations can be quickly transferred to the other facility. Additionally, many non-operator employees at each facility are cross-trained as monitoring operators, should there be a short-term or emergency need for additional monitoring operators. Both facilities hold Underwriters' Laboratories ("UL") listings as protective signaling services stations and maintain certain standards of building integrity and power backup, among other safeguards.

Table of Contents***We are exposed to greater risks of liability for employee acts or omissions, or system failure, than may be inherent in other businesses.***

If a subscriber believes that he or she has suffered harm to person or property due to an actual or alleged act or omission of one of our employees or security system failure, he or she may pursue legal action against us, and the cost of defending the legal action and of any judgment could be substantial. Substantially all of our customer contracts contain provisions limiting our liability; however, in the event of litigation with respect to such matters, it is possible that these limitations may be deemed not applicable.

We carry insurance of various types, including general liability and professional liability insurance in amounts we consider adequate and customary for our industry. Some of our insurance policies, and the laws of some states, may limit or prohibit insurance coverage for punitive or certain other types of damages, or liability arising from gross negligence. If we incur increased losses related to employee acts or omissions, or system failure, or if we are unable to obtain adequate insurance coverage at reasonable rates, or if we are unable to receive reimbursements from insurance carriers, our financial condition and results of operations could be adversely affected.

We could be assessed penalties for false alarms.

Some local governments impose assessments, fines, penalties and limitations on either subscribers or the alarm companies for false alarms. A few municipalities have adopted ordinances under which both permit and alarm dispatch fees are charged directly to the alarm companies. Our alarm service contracts generally allow us to pass these charges on to customers. If more local governments were to impose assessments, fines or penalties, our customers might find these additional charges prohibitive and the growth of our subscriber base could be adversely affected. Further, to the extent we are unable to pass assessments, fines and penalties on to our customers, our operating results could be adversely affected.

Police departments could refuse to respond to calls from monitored security service companies.

Police departments in a limited number of U.S. cities do not respond to calls from monitored security service companies, either as a matter of policy or by local ordinance. We have offered affected customers the option of receiving response from private guard companies, in most cases through contracts with us, which increases the overall cost to customers. If more police departments were to refuse to respond or be prohibited from responding to calls from monitored security service companies, our ability to attract and retain subscribers could be negatively impacted and our results of operations and cash flow could be adversely affected.

Our business operates in a regulated industry.

Our operations and employees are subject to various U.S. federal, state and local consumer protection, licensing and other laws and regulations. Most states in which we operate have licensing laws directed specifically toward the monitored security services industry. Our business relies heavily upon wireline telephone service to communicate signals. Wireline telephone companies are currently regulated by both the federal and state governments. Our Canadian operation is subject to the laws of Canada, British Columbia and Alberta.

Changes in laws or regulations could require us to change the way we operate, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses. If laws and regulations were to change or we failed to comply, our business, financial condition and results of operations could be materially and adversely affected.

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (which Sections were adopted as part of the Private Securities Litigation Reform Act of 1995). Statements preceded by, followed by or that otherwise include the words "believe," "anticipate," "estimate," "expect," "intend," "plan," "project," "prospects," "outlook," and similar words or expressions, or future or conditional verbs such as "will," "should," "would," "may," and "could" are generally forward-looking in nature and not historical facts. These forward looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any anticipated results, performance or achievements. Except as required by law, we disclaim any intention, and undertake no obligation, to revise any forward-looking statements, whether as a result of new information, a future event, or otherwise. These risks, uncertainties and contingencies, many of which are beyond our control, include, but are not limited to risks related to the Merger, risks inherent in the Spin-off from our former parent corporation, the demand for our products and services, the ability to identify and execute further cost and operational improvements and efficiencies in our core business, the actions of competitors, our ability to successfully build and market a new brand, our ability to identify strategic opportunities and integrate them successfully, our ability to maintain subscriber growth, the number of household

moves, the level of home sales or new home construction, potential instability in housing credit markets, our ability to cost-effectively develop or incorporate new systems or technology in a timely manner, our ability to balance the cost of acquiring customers with the profit from serving existing customers, our ability to keep disconnect rates relatively low, the availability and cost of capital, and general business conditions.

Table of Contents

Certain of these factors and other factors, risk and uncertainties are discussed in Part I, Item 1A of this Annual Report on Form 10-K. Other unknown or unpredictable factors may also cause actual results to differ materially from those projected by the forward looking statements. Most of these factors are difficult to anticipate and may be beyond our control. You should consider the areas of risk described above, and also consider those set forth in Part I, Item 1A of this Annual Report on Form 10-K, in connection with considering any forward looking statements that may be made by us in this report.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We have 74 leased field offices and other facilities located throughout the U.S. and one leased office in British Columbia, Canada. Our headquarters are located in Irving, Texas in a facility we own. This owned facility houses some of our administrative and technical support personnel. Additional personnel are located in portions of three nearby buildings in office spaces that are leased. Our headquarters also serve as one of our two central monitoring facilities. The second monitoring and service center, which we also own, is located near Knoxville, Tennessee.

The following table discloses our leased and owned facilities as of December 31, 2009.

<u>Region</u>	<u>Facilities</u>		
	<u>Leased</u>	<u>Owned</u>	<u>Total</u>
U. S.	73	2	75
Canada	1	—	1
Total	<u>74</u>	<u>2</u>	<u>76</u>

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various lawsuits and claims in the ordinary course of business. The Company has recorded accruals for losses that are considered probable and reasonably estimable associated with these matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity or financial position; however, losses from these matters or changes in estimates of losses for these matters may result in income or expense in any one accounting period that is material in comparison to the earnings of that period.

In April 2009, a Michigan state circuit court jury rendered a verdict against the Company for \$4.2 million pertaining to claims made by a terminated employee of the Company. On July 7, 2009, the trial court entered judgment in favor of the plaintiff for \$4.7 million. This amount included approximately \$0.5 million in pre-judgment interest and attorney fees. After post-trial proceedings, on September 25, 2009, the trial court entered a revised judgment in the amount of approximately \$3.5 million. The amount of the revised judgment has been included in other accrued liabilities as of December 31, 2009. On October 16, 2009, the Company filed an appeal seeking reversal of the judgment or in the alternative a new trial, based on various alleged points of error by the trial court. In connection with the appeal, the trial court ordered a stay of execution on the judgment which requires the Company to post an appeal bond. The Company has filed its initial appeal brief but no date has yet been set for oral argument.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*****Market Information and Holders***

Our common stock began trading "regular way" on the New York Stock Exchange under the symbol "CFL" on November 3, 2008. As of February 23, 2010, there were approximately 2003 holders of record of our common stock.

The table below sets forth for each of the quarters indicated the reported high and low sales prices for our common stock on the New York Stock Exchange for the period from November 3, 2008 through December 31, 2009.

	<u>High</u>	<u>Low</u>
2008:		
Fourth Quarter (Beginning November 3, 2008)	\$23.10	\$13.15
2009:		
First Quarter	\$25.36	\$19.27
Second Quarter	31.30	21.79
Third Quarter	32.42	26.51
Fourth Quarter	34.11	29.89

Dividend Policy

We have not paid any cash dividends on our common stock since the Spin-off. Any change in our dividend policy will be made at the discretion of our Board of Directors and will depend on a number of factors, including future earnings, capital requirements, contractual restrictions, financial condition, future prospects and any other factors our Board of Directors may deem relevant.

The payment of cash dividends are subject to the restrictions and limitations in the credit agreement governing our unsecured revolving credit facility. In addition, the Merger Agreement restricts our ability to pay dividends to holders of our common stock without Tyco's consent.

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2009.

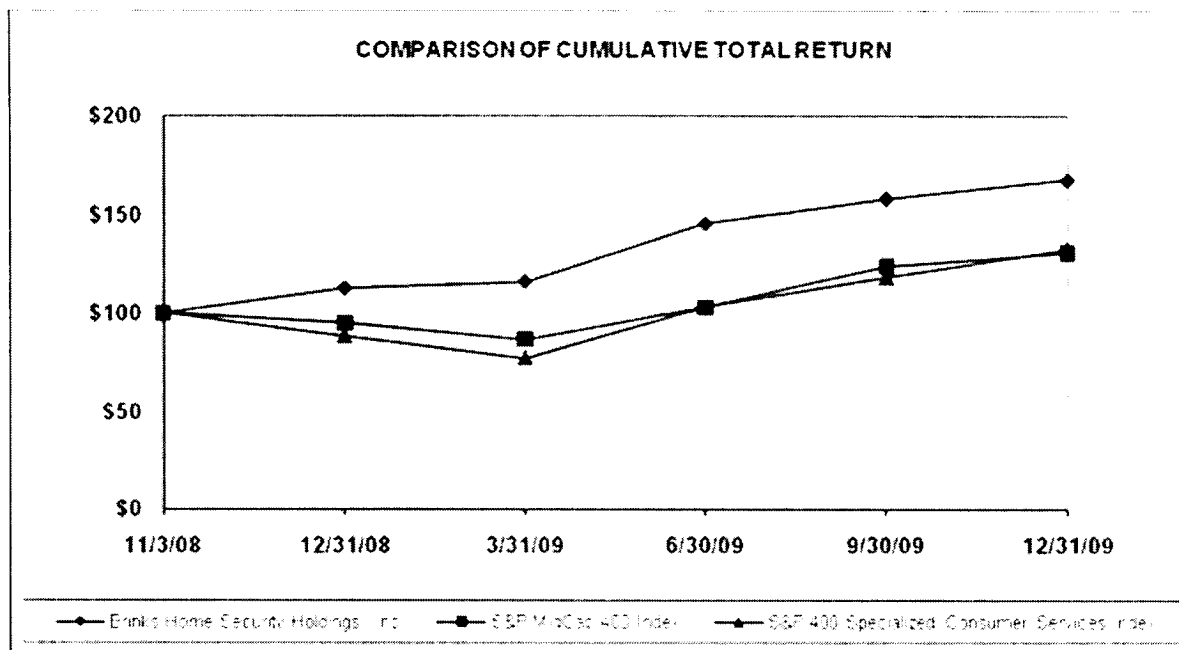
<u>Plan Category</u>	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, RSU's, DSU's, and Deferred Compensation (a)</u>	<u>Weighted-Average Exercise Price of Outstanding Options (b)</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</u>
Equity compensation plans approved by security holders ⁽¹⁾	1,506,966 ⁽²⁾	\$23.66 ⁽³⁾	931,249 ⁽⁴⁾

- (1) Includes common shares to be issued as awards under The Brink's Home Security 2008 Equity Incentive Plan ("2008 Equity Plan"), Non-Employee Directors' Equity Plan, Key Employees' Deferred Compensation Program, and the Directors' Stock Accumulation Plan. See Note 10 – Share-Based Compensation Plans to the consolidated financial statements for additional information regarding these equity compensation plans. There have been no repurchases of common stock under the Company's plans as of December 31, 2009.
- (2) Included within the number of securities to be issued upon exercise are 857,436 unvested options as of December 31, 2009.
- (3) Does not include deferred compensation units, units under the Directors' Stock Accumulation Plan, restricted stock units, and deferred stock units.
- (4) The 2008 Equity Plan provides for a maximum of 1,000,000 common shares to be issued as awards plus the aggregate number of shares subject to converted awards. The Non-Employee Directors' Equity Plan provides for a maximum of the sum of 500,000 shares to be issued as awards, the aggregate number of shares subject to the converted options, and the aggregate number of shares subject to the replacement deferred stock units. Restricted stock units are counted against the limit as two shares for every one share covered by the award under each of these plans. The Directors' Stock Accumulation Plan provides for a maximum of 100,000 common shares to be issued as awards. The Key Employees' Deferred Compensation Program does not have a limit on the number of shares to be issued as awards.

Table of Contents

Performance Graph

The following graph compares the relative performance of our common stock, the Standard & Poor's Midcap 400 Stock Index and the Standard & Poor's Midcap 400 GICS Specialized Consumer Services Sub-Index. This graph covers the period from November 3, 2008 (the first trade date immediately following the Spin-off), through December 31, 2009.



Company/Index	Nov. 3, 2008	Dec. 31, 2008	Mar. 31, 2009	Jun. 30, 2009	Sep. 30, 2009	Dec. 31, 2009
Brink's Home Security Holdings, Inc.	\$100.00	\$112.58	\$116.08	\$145.40	\$158.14	\$167.64
S&P MidCap 400 Index	100.00	95.13	86.90	103.19	123.81	130.69
S&P 400 Specialized Consumer Services Index	100.00	88.56	77.50	103.20	118.32	132.58

In each case, the data above assumes a \$100 investment immediately following November 3, 2008, the first trading day following the Spin-off, and reinvestment of all dividends, if any.

ITEM 6. SELECTED FINANCIAL DATA

The selected historical financial data and operating statistics presented below reflect financial information prepared with the Company's historical financial results. For periods prior to the Spin-off on October 31, 2008, the financial information includes allocations of certain BCO corporate expenses and higher royalty rate charges. See Note 1- Description of Business, The Spin-off, Basis of Presentation, and Significant Accounting Policies and Note 2 – Transactions with Related Parties to the consolidated financial statements for further discussion regarding the Spin-off and BCO related costs.

The data below should be read in conjunction with our audited consolidated financial statements and accompanying notes, included in Item 8 herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as seen in Item 7. The financial information below may not be indicative of our future performance and, for periods prior to the Spin-off, does not necessarily reflect what the financial position and results of operations would have been had we operated as a separate, stand-alone entity.

Table of Contents**Five Years in Review***(in millions, except where indicated)*

	December 31,				
	2009	2008	2007	2006	2005
Statement of Income Data					
Revenues	\$ 565.1	\$ 532.3	\$ 484.4	\$ 439.0	\$ 392.1
Operating profit	101.4	94.0	73.0	63.2	57.1
Net income	62.7	57.1	44.2	36.3	36.0
Earnings per Share^(a)					
Basic (per share)	\$ 1.37	\$ 1.25	\$ 0.96	\$ 0.79	\$ 0.79
Diluted (per share)	1.36	1.25	0.96	0.79	0.78
Diluted weighted average common shares outstanding	46.0	45.8	45.9	45.9	45.9
Balance Sheet Data					
Cash and cash equivalents	\$ 113.2	\$ 63.6	\$ 3.3	\$ 2.6	\$ 3.4
Property and equipment, net	710.1	659.3	606.0	536.7	467.7
Total assets	970.6	876.9	763.7	689.4	605.0
Shareholders' equity	523.4	482.0	405.5	357.6	318.9
Cash Flow data					
Cash flow from operating activities	\$ 240.1	\$ 224.0	\$ 183.7	\$ 155.9	\$ 119.1
Cash flow from investing activities	(192.1)	(177.8)	(175.8)	(163.9)	(162.2)
Cash flow from financing activities	1.4	14.2	(7.3)	7.2	45.2
Key Performance Measures					
Monthly recurring revenue ^(b)	\$ 44.2	\$ 40.5	\$ 37.2	\$ 33.1	\$ 29.1
Ending number of subscribers (in thousands)	1,359.0	1,301.6	1,223.9	1,124.9	1,018.8
Ending subscriber base growth (percentage) ^(c)	4.4	6.3	8.8	10.4	10.6
Average number of subscribers (in thousands)	1,334.5	1,267.5	1,176.1	1,072.5	972.8
Average subscriber base growth (percentage)	5.3	7.8	9.7	10.2	11.1
Disconnect rate (percentage) ^(d)	8.2	7.5	7.0	6.4	7.2
Adjusted EBITDA from recurring services ^(e)	\$ 341.5	\$ 318.3	\$ 286.3	\$ 255.4	\$ 233.1
Adjusted cash invested in new subscribers ^(f)	\$ (257.3)	\$ (248.5)	\$ (237.5)	\$ (217.6)	\$ (204.4)

- (a) For 2009, basic earnings per share ("EPS") was computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted EPS was calculated in a similar manner but included the dilutive effect of stock options and restricted stock units outstanding during the year. For periods prior to the Spin-off, no common stock of Holdings and none of Holdings' equity awards were outstanding. Basic and diluted earnings per share were computed on a pro forma basis using the average number of shares of the Company's common stock outstanding from October 31, 2008 to December 31, 2008. The number of diluted shares used in the calculation was based on the number of shares of the Company's common stock outstanding plus the estimated potential dilution that could have occurred if options and restricted stock units granted under the Company's equity-based compensation arrangements were exercised or converted into the Company's common stock.
- (b) Monthly recurring revenue ("MRR"), a non-GAAP measure, is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber earned in the last month of the period for contractual monitoring and maintenance services as discussed under the caption "Key Performance Measures — Monthly Recurring Revenues."
- (c) Calculated based on period ending subscribers.
- (d) Calculated as a ratio, the numerator of which is customer cancellations, on an annualized basis, and the denominator of which is the average number of customers during the period. Customer relocations, reactivations and dealer charge backs of contract cancellations are excluded from the calculation.
- (e) Adjusted EBITDA from recurring services, a non-GAAP measure, is normalized as if the royalty rate had been 1.25% of net revenues, instead of the royalty rate of approximately 7% of revenues charged by BCO before the Spin-off, for all periods presented. Upfront royalty expense is excluded from this metric. This measure is discussed under the caption "Key Performance Measures — Adjusted EBITDA from Recurring Services."
- (f) Adjusted cash invested in new subscribers, a non-GAAP measure, represents cash used to acquire new subscribers during the period and excludes costs related to the Brand Introduction. This measure is discussed in "Key Performance Measures — Adjusted Cash Invested in New Subscribers."

Table of Contents**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*****Introduction***

The following discussion, which presents the results of Brink's Home Security Holdings, Inc. and its consolidated subsidiaries, should be read in conjunction with the accompanying consolidated financial statements and notes thereto for the years ended December 31, 2009 and 2008, and each of the years in the three-year period ended December 31, 2009, along with the five-year financial summary and operating statistics presented in Part II, Item 6, "Selected Financial Data," the risk factors discussed in Part I, Item 1A, "Risk Factors," and the cautionary statement regarding forward-looking information.

As used in this Report, (a) references to "Holdings," "Company," "we," "us," and "our" refer to Brink's Home Security Holdings, Inc. and its consolidated subsidiaries, including Broadview Security, Inc. ("Broadview Security," formerly named Brink's Home Security, Inc.), after the spin-off transaction described below, and (b) references to the "Company" on a historical basis, prior to the spin-off transaction, refer to Brink's Home Security and its consolidated subsidiaries, in each case unless the context requires otherwise.

This discussion is intended to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, how operating results affect our financial condition and results of our operations of the Company as a whole, and how certain accounting principles and estimates affect our financial statements. Unless otherwise indicated, all references to earnings per share ("EPS") are on a diluted basis.

Recent Developments

On January 18, 2010, we signed a definitive agreement and plan of merger ("Merger Agreement") to be merged into a wholly-owned subsidiary of Tyco International Ltd ("Tyco") in a transaction valued at approximately \$2.0 billion (the "Merger"). The Merger is subject to customary closing conditions, various regulatory approvals and approval of our shareholders. We currently expect the Merger to close in the second or third quarter of calendar year 2010. Upon closing of the Merger, we anticipate that Broadview Security will be combined with Tyco's ADT security business under the ADT brand. Refer to Part I, Item 1, Business, for further discussion of the Merger. The uncertainty of this pending transaction and the ultimate resolution may significantly impact our operations and continuation of historical trends in future periods as it becomes more difficult to reasonably estimate trends affecting our company, capital resource needs, and other items that may vary depending on the timing or completion of the proposed transaction.

History

On September 12, 2008, the Board of Directors of The Brink's Company ("BCO") approved the separation of BCO into two independent, publicly traded companies through the spin-off of the Company to shareholders of BCO (the "Spin-off"). To affect the Spin-off, BCO transferred all outstanding shares of Brink's Home Security, Inc. to Holdings, another wholly-owned subsidiary of BCO, through a series of transactions pursuant to a Separation and Distribution Agreement between BCO and Holdings. On October 31, 2008, BCO distributed all of the shares of Holdings to the stockholders of BCO at a ratio of one share of Holdings common stock for each share of BCO common stock held by each such holder as of the record date of October 21, 2008. On November 3, 2008, after completion of the Spin-off, our stock began trading "regular way" as an independent public company on the New York Stock Exchange under the symbol "CFL", reflecting our corporate mission of creating "Customers For Life."

As a condition of the Spin-off, we are required to change the name of the Company prior to October 31, 2011. We announced Broadview Security as our new brand name on June 30, 2009 and have begun the process to transition away from our heritage name. The change was a name change only. The corporate structure and management of the Company remain the same.

We began marketing efforts in July 2009 to promote brand awareness through advertisements via television media, internet, direct mail, yellow pages, and messaging to our existing subscriber base ("Brand Introduction"). The Brand Introduction also includes costs to create the new brand, convert building signage, re-decal our vehicle fleet, issue new technician uniforms, change customer yard signs, and other similar brand conversion activities. We monitor the awareness, perception, and acceptance of the Broadview Security brand name periodically to guide us on the method, extent, and duration of the Brand Introduction.

Table of Contents

Overview

We provide monitored security alarm services in North America for owner-occupied single-family residences and commercial properties. We typically install and own the on-site security alarm systems and charge fees to monitor and service the systems. We attribute our success to our focus on quality service, customer retention, and a disciplined approach to growth. We believe our business is a premium provider of services in the markets that we serve.

We have grown consistently over the past several years due to our ability to attract and retain customers by providing quality services while operating as efficiently as possible. Revenues are fairly predictable as most monitoring service revenues are governed by initial three-year monitoring contracts that generally include recurring one-year renewal clauses. Over the past three years, recurring revenues have been approximately 90% of total revenues. Our primary customers are residents of single-family homes which comprise approximately 93% of our subscriber base. We have limited exposure to new home construction with 5% of new subscribers in 2009 being generated from our new home construction customer acquisition channel ("Builder"), which partners with selected major homebuilders in the United States. Our small but growing presence in the commercial market includes is approximately 5% of our total subscriber base. The remaining subscribers reside in multi-family sites.

The business environment in which we operate can change quickly. We must quickly adapt to changes in the competitive landscape and local market conditions. To be successful, we must be able to balance, on a market-by-market basis, the effects of changing demand on the utilization of our resources. We operate on a centralized basis, but allow enough flexibility so local field management can adjust operations to the particular circumstances of its market.

We measure financial performance on a long-term basis. We create value by focusing on yielding solid returns on capital, growing our revenues and earnings, and generating cash flows sufficient to fund our growth.

Factors Affecting Operating Results

We view our business as having two key activities: acquiring new customers and managing our existing customer base. We manage our business around these two activities, and many of our performance metrics are focused on one or both of these activities. We view success in our business as being dependent upon successfully balancing our efforts against both activities. We focus on investing wisely in subscriber growth that will generate positive future returns to shareholders and on generating substantial current profit on the recurring services we provide to our existing customers.

We employ a consistent and disciplined economic decision-making framework to evaluate our existing customer acquisition channels and to prioritize growth opportunities based on the expected cash flows over the life of the customer relationship. This framework takes into account three key elements of cash flow: net customer acquisition cost, ongoing recurring customer cash flow and the annualized customer attrition or disconnect rate. In our evaluations of opportunities, we consider the full range of costs incurred in the customer relationship life cycle, including administrative costs and non-security capital expenditures not directly related to acquiring or servicing customers.

We have historically focused our marketing efforts on "direct response" advertising, projecting a range of advertising messages across multiple media channels to attract the attention of potential customers when they are in the "buying mode." Potential customers are receptive to initiating security alarm service generally as the result of a major change in personal circumstance, such as a household or business relocation, an increase in (or the perception of an increase in) local criminal activity, or a change in family circumstance (such as the birth of a child, divorce, or death of a spouse) or other lifestyle change (such as increased travel by the head of household). Our marketing efforts are designed to direct potential customers into one of our customer acquisition channels where we qualify the potential customers and attempt to sell them an appropriate level of service to meet their needs. In order to increase efficiency and effectiveness of our customer acquisition efforts, we focus on controlling initial marketing, sales and installation costs by matching sales representative staffing levels with the number of sales leads, and the size of the technician workforce with available installation volume. We monitor the net customer acquisition cost across our customer acquisition channels closely and control both the cash invested in new subscribers (all costs, regardless of whether expensed, capitalized, or deferred) and the investment in new subscribers expensed as a period cost, offsetting a significant portion of our profit from recurring services in arriving at our operating profit in any given period.

Table of Contents

Under our standard Protective Service Agreement with residential customers, the customer pays the initial installation fees and is then obligated to make monthly payments throughout the contract term. The standard term for our Protective Service Agreement is three years, which automatically renews for additional one year periods unless cancelled by either party, except in six states where state law requires the renewal period to be month-to-month. If a customer cancels the contract prior to the end of the contract term, or is otherwise in default, we have the right under the contract to receive from the customer an amount equal to all monthly payments remaining under the contractual term.

The process in our Builder channel differs from our traditional customer acquisition model. Working directly with major national, regional, and local home builders, the Builder channel markets and installs residential security systems and a variety of low-voltage security, home networking, communications, and entertainment options into homes under construction. The Builder channel currently conducts business with approximately 160 residential home builders in the United States. The Builder activation process consists of three phases: the "pre-wire" phase of early construction wiring for security systems and potential non-security low-voltage applications in certain markets; the "trim-out" phase in which security system (and in some cases other low-voltage) components are installed in houses as they near completion; and the activation phase in which monitored security service contracts are entered into with homeowners. In 2009, Builder accounted for approximately 5% of our new subscribers.

Once we have acquired a customer, we then strive to keep customer service and monitoring costs as low as possible without detracting from our ability to provide high quality service levels. As our cash break-even point is generally not reached until sometime during the fourth year of service, we focus strongly on providing consistent high quality service at all "customer touch points."

We have reported strong growth in revenues and operating profit for many years due to our ability to attract and retain customers through brand reputation and quality service while operating as efficiently as possible consistent with the desired level of service. We believe customer retention is driven by our disciplined customer selection practices and our provision of high customer service levels. In order to obtain customers who are less likely to disconnect, we seek to attract customers with acceptable credit scores and the willingness to pay reasonable upfront fees. Once there is an agreement to install a monitored alarm system, we provide a high quality installation followed by continuing high quality customer service and alarm monitoring. We believe our disconnect rate benefits from our consistency in following this strategy. We have retained a significant percentage of customers for fifteen years or more, and we have some customers who have been with us since we began operations more than 26 years ago.

Seasonality

Our business is subject to a certain level of seasonality in our operations. Since more household moves take place during the second and third quarters of each year, our disconnect rate and related non-cash expenses are typically higher in those quarters than in the first and fourth quarters. There is a slight seasonal effect on our new customer installation volume and related cash expenses incurred in investment in new subscribers; however, other factors, such as the level of marketing expense, can offset that effect of seasonality.

Trends, Risks and Uncertainties of Our Business

Brand Introduction. We have incurred costs associated with developing our new brand. There is uncertainty in regards to the timing, duration, and amount of expense to be incurred in the rebranding.

Besides the cost of the rebranding effort, there is a risk that the new brand will not be able to attract prospective customers as effectively as our heritage brand has historically. This could reduce our installation growth rate compared to what we have experienced in our past. Lower installation volume could reduce the future growth rates in operating profit and net income. However, these risks may be mitigated depending on the outcome of the Merger or the concurrent use of our heritage name with our new brand during the initial phases of the new brand launch.

Market size and future. We believe, based on a report from IMS Research and United States Census Bureau statistics, that 17% to 22% of U.S. households currently have monitored security systems. There is uncertainty as to what the ultimate penetration rate of security systems in U.S. households may be; however, we believe that there is still significant opportunity for growth in all geographic markets.

U.S. economy and home sales. Due to continued weakness in the housing market and increasing unemployment rates, our new installation growth rate slowed beginning in 2006 and continued through 2009. Our long-term revenue growth rate depends on installations exceeding disconnects. If the housing market downturn is prolonged, our revenues may not grow at the same rate as in the past. Our Builder channel activity, in particular, is dependent on new housing construction. Future new housing production is very difficult to predict given current disruption in the credit and housing markets and overall economic conditions.

Table of Contents

Technology. The majority of our security systems installed in customers' homes use traditional fixed-line telecommunications to transmit alarm signals to our monitoring centers. We believe that fixed-line telecommunications technology is the most reliable technology currently available for transmitting security system data. There is a growing trend in our market for customers to exclusively use cell-phone or internet communication technology in their homes. While we provide the capability for our customers to use these alternative communications technologies to transmit alarm signals, these services are currently not as reliable as traditional fixed-line telephone service. Communication reliability is important to our long-term business model.

Competition. Our industry is competitive. We compete with a number of national, regional, and local providers of security services. Our competitors may be able to take advantage of our rebranding transition to increase their market share, and potentially to attract some of our current customers to their service.

Key Performance Measures

The success of our business model depends on recurring contractual revenues and cash flows from our ongoing subscriber base. Key drivers of recurring contractual revenues are subscriber growth and continuous focus on existing customer retention. It is important to minimize subscriber cancellations as the majority of costs associated with a subscriber are incurred at installation. It currently takes approximately four years to recover our initial cash investment in a new subscriber. We use some of the cash flows from the ongoing subscriber base to finance the costs necessary to grow the subscriber base. We continually balance the current cost of growth with the future benefit of recurring contractual revenues. The recurring nature of our net operating cash flows tend to buffer, but not eliminate, the impact of negative trends in the general economy. In evaluating our results, we review the following key performance indicators:

Monthly Recurring Revenue ("MRR") is a non-GAAP measure that is used to evaluate performance. MRR measures the amount of recurring revenues from subscriber fees and is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber received in the last month of the period for contracted monitoring and maintenance services. On page 28, MRR is described in greater detail and is accompanied by a reconciliation of MRR to revenue, its closest GAAP counterpart.

Subscriber Growth — Growth of our subscriber base is crucial to drive MRR expansion and to leverage our costs of operations. Despite a challenging housing market and generally weak economic conditions, our ending subscriber base has continued to grow as presented in the table on page 27.

Customer Retention — Success of our economic model is highly dependent on customer retention. We believe our disconnect rate is the lowest among the major monitored security service companies. Our low disconnect rate driven in part by our discipline in acquiring new customers with acceptable credit backgrounds and by providing high quality equipment, installation, monitoring, and customer service.

Subscriber disconnects stem from three primary sources including account write-offs, household and business moves, and disconnects due to customer initiated cancellations for reasons other than moves. Another factor that can from time to time increase the disconnect rate is cancellation of multi-family contracts, as each contract may contain numerous individual subscriber sites.

Profit from Recurring Services — Profit from recurring services reflects the monthly monitoring and service fees generated from the existing subscriber base, including the amortization of deferred revenues, net of general and administrative expenses, including royalty expense. This measure excludes the results of operations related to investment in new subscribers, a separate non-GAAP measure defined below. Non-cash impairment charges resulting from subscriber contract cancellations and depreciation and amortization expenses, including the amortization of deferred subscriber acquisition costs, are also charged to recurring services. Profit from recurring services is affected by the size of the subscriber base, the amount of operational costs, depreciation, the level of subscriber cancellations, and changes in the average monthly monitoring fee per subscriber. Profit from recurring services is considered to be an important non-GAAP component of our operating profit. This component of operating profit allows investors and others to understand the amount of operating income generated from active security systems. See the "Reconciliation of Non-GAAP Measures" section for the reconciliation of profit from recurring services to its closest GAAP counterpart, net income.

Table of Contents

Investment in New Subscribers — Investment in new subscribers is the net expense incurred to add to the subscriber base every year, which is primarily marketing and selling expenses including Brand Introduction costs, net of security system asset capitalization, and net of sales acquisition cost deferrals. The amount of the investment in new subscribers charged to income may be influenced by several factors, including the volume of new subscriber installations and the level of costs incurred to attract new subscribers, which can vary by customer acquisition channel. As a result, increases in the rate of investment (the addition of new subscribers) may have a negative effect on current operating profit, but a positive impact on long-term operating profit, cash flow, and economic value. Investment in new subscribers is considered to be an important non-GAAP component of our operating profit. This component of operating profit allows investors and others to understand the amount of net expenses associated with the installation of new subscribers. See the “Reconciliation of Non-GAAP Measures” section for the reconciliation of investment in new subscribers to its closest GAAP counterpart, net income.

Adjusted EBITDA from Recurring Services — Adjusted EBITDA from recurring services is a non-GAAP measure that we use to convey profits generated from the subscriber base adjusted for certain non-cash items including asset impairment charges, depreciation of fixed assets, amortization of deferred charges, and amortization of deferred revenue. We believe EBITDA from Recurring Services is useful to provide investors with information about operating profits, adjusted for significant non-cash items, generated from the existing customer base, which can be used to support the investment in new subscribers portion of our operations. This measure excludes the results of operations related to investment in new subscribers, a separate non-GAAP measure defined above. In deriving this non-GAAP measure, we reflect the go-forward 1.25% royalty rate in adjusted EBITDA from recurring services for all periods presented. Historically, we paid our former parent company a royalty of 7% on revenues in the United States and 3% on revenues in Canada. On November 1, 2008, the royalty rate changed to approximately 1.25% of revenues and will continue to be calculated on that basis until the earlier of when we cease to use certain BCO trademarks or the expiration of the license agreement on October 31, 2011. See the “Reconciliation of Non-GAAP Measures” section for the reconciliation of adjusted EBITDA from recurring services to its closest GAAP counterpart, net income.

Adjusted Cash Invested in New Subscribers — Adjusted cash invested in new subscribers is a non-GAAP measure that we use to convey the total cash invested to acquire new subscribers or move existing subscribers without regard to the accounting treatment of the various cash components. It is comprised of primarily capitalized security system costs, marketing and selling expenses, and deferred subscriber acquisition costs (current year payments) less deferred revenue from new subscribers (current year receipts). This measure is adjusted to exclude costs related to the Brand Introduction. See the “Reconciliation of Non-GAAP Measures” section for the reconciliation of adjusted cash invested in new subscribers to its closest GAAP counterpart, net income.

Table of Contents**RESULTS OF OPERATIONS**

(\$ in millions, except EPS, disconnect rate, subscriber growth rate, and subscriber data)

	December 31,		
	2009	2008	2007
Revenues	\$ 565.1	\$ 532.3	\$ 484.4
Cost of revenues	274.3	287.0	271.9
Selling, general and administrative expenses	190.9	150.9	144.3
Total costs and expenses	465.2	437.9	416.2
Other operating income, net	1.5	(0.4)	4.8
Operating profit	101.4	94.0	73.0
Interest expense, net	(0.1)	(0.6)	(1.0)
Income before income taxes	101.3	93.4	72.0
Income tax expense	38.6	36.3	27.8
Net income	\$ 62.7	\$ 57.1	\$ 44.2
Diluted EPS	\$ 1.36	\$ 1.25	\$ 0.96
Weighted average shares assuming dilution ^(a)	46.0	45.8	45.9
Key Performance Indicators			
Monthly recurring revenue ^(b)	\$ 44.2	\$ 40.5	\$ 37.2
Subscriber growth			
Ending number of subscribers (in thousands)	1,359.0	1,301.6	1,223.9
Ending subscriber base growth (percentage) ^(c)	4.4	6.3	8.8
Average number of subscribers (in thousands)	1,334.5	1,267.5	1,176.1
Average subscriber growth rate (percentage)	5.3	7.8	9.7
Disconnect rate (percentage) ^(d)	8.2	7.5	7.0
Profit from recurring services ^(e)	\$ 223.9	\$ 195.3	\$ 168.9
Investment in new subscribers ^(f)	\$ (122.5)	\$ (101.3)	\$ (95.9)
Adjusted EBITDA from recurring services (using 1.25% royalty rate) ^(g)	\$ 341.5	\$ 318.3	\$ 286.3
Adjusted cash invested in new subscribers ^(h)	\$ (257.3)	\$ (248.5)	\$ (237.5)

- (a) See Note 15 – Earnings per Share in the notes to the consolidated financial statements for explanation of the calculation of diluted earnings per share.
- (b) Monthly recurring revenue (“MRR”), a non-GAAP measure, is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber earned in the last month of the period for contractual monitoring and maintenance services. This measure is reconciled below under the caption “Reconciliation of Non-GAAP Measures.”
- (c) Calculated based on period ending subscribers.
- (d) Calculated as a ratio, the numerator of which is customer cancellations, on an annualized basis, and the denominator of which is the average number of customers during the period. Customer relocations, reactivations, and dealer charge backs of contract cancellations are excluded from the calculation.
- (e) Profit from recurring services, a non-GAAP measure, reflects operating profit generated from the existing subscriber base including the amortization of deferred revenues and deferred acquisition costs as these amounts are recognized over time and are unrelated to generating new subscribers in the current period as discussed under the caption “Key Performance Measures — Profit from Recurring Services.” This measure is reconciled below in the “Reconciliation of Non-GAAP Measures” section.
- (f) Investment in new subscribers, a non-GAAP measure, is net expense (primarily marketing and selling expenses, including Brand Introduction costs) incurred to add new subscribers to the subscriber base as discussed under the caption “Key Performance Measures — Investment in New Subscribers.” This measure is reconciled below in the “Reconciliation of Non-GAAP Measures” section.
- (g) Adjusted EBITDA from recurring services, a non-GAAP measure, is calculated as if the royalty rate had been approximately 1.25% of revenues for all periods presented. The royalty rate will remain at approximately 1.25% of revenues until the earlier of when we cease to use of certain BCO trademarks or the expiration of the license agreement on October 31, 2011. This measure is reconciled below in the “Reconciliation of Non-GAAP Measures” section.
- (h) Adjusted cash invested in new subscribers, a non-GAAP measure, represents cash used to acquire new subscribers during the period and excludes costs related to the Brand Introduction. This measure is reconciled below in the “Reconciliation of Non-GAAP Measures” section.

Table of Contents***2009 Compared to 2008******Revenues***

Revenues increased \$32.8 million or 6.2% to \$565.1 million in 2009 from \$532.3 million in 2008. The increase was primarily due to the 5.3% growth in the average subscriber base during 2009. Additionally, MRR per ending subscriber increased 4.5% over the prior year. The increase in MRR was the result of incremental new product and service offerings to existing customers, bringing on new customers at higher monthly rates, and price increases to certain existing customers. These increases were partially offset by a decline of approximately \$4.8 million in pre-wire and trim-out revenues from our new housing construction customer acquisition channel ("Builder") and the effect of a \$3.1 million accounting correction benefiting 2008 revenue as described in Note 1 – Description of Business, The Spin-off, Basis of Presentation, and Significant Accounting Policies in the notes to the consolidated financial statements.

Cost of Revenues

Cost of revenues decreased \$12.7 million or 4.4% to \$274.3 million in 2009 from \$287.0 million in the prior year. The decrease was due primarily to the decline in the royalty rate charged to us by our former parent for use of certain trademarks. The rate was approximately 7% of revenues through October 31, 2008, and was thereafter reduced to approximately 1.25% of revenues. The royalty rate change and the offsetting increase in revenue volume resulted in a net decrease in royalty expense of \$24.6 million in 2009 compared to the prior year. Additionally, cost of revenues declined approximately \$7.1 million due to lower expenses stemming from lower levels of activity in the Builder channel. The decline was partially offset by a \$9.8 million increase in impairment charges related to subscriber disconnects, an increase in security system depreciation of \$5.2 million, resulting from the increased subscriber base, and other increased costs to support the larger subscriber base. Cost of revenues was 48.5% of revenues in 2009 and 53.9% in the prior year. Had the royalty rate been approximately 1.25% of revenues for all of 2008, cost of revenues in that year would have been \$262.0 million or 49.2% of revenues. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of the royalty rate on cost of revenues.

Selling, General, and Administrative Expenses

Selling, General, and Administrative Expenses ("SG&A") increased by \$40.0 million or 26.5% to \$190.9 million in 2009 from \$150.9 million in the prior year. The increase was primarily due to \$20.6 million expense related to Brand Introduction costs, \$4.6 million increase in account servicing costs related to customer retention efforts, \$4.1 million incremental litigation expense, \$2.3 million increased advertising costs targeted to drive sales opportunities, and \$1.1 million of expense related to the Merger. SG&A was 33.8% of revenues in 2009 and 28.3% in the prior comparable period. Excluding Brand Introduction costs, SG&A would have been \$170.3 million or 30.1% of revenues in 2009. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of Brand Introduction costs on operating profit.

Operating Profit

Operating profit increased \$7.4 million or 7.9% to \$101.4 million in 2009 from \$94.0 million in the prior comparable period, driven primarily by the decrease in the royalty rate and higher profits from recurring services on our larger subscriber base. These improvements were partially offset primarily by Brand Introduction costs and increased impairment charges related to more customer disconnects. Operating margin was 17.9% in 2009 compared to 17.7% in 2008. Excluding Brand Introduction costs, operating profit would have been \$122.0 million or 21.6% of revenue in 2009. Had the royalty rate been approximately 1.25% of revenues in 2008, operating profit in 2008 would have been \$119.0 million, or 22.4% of revenue. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of the royalty rate change and Brand Introduction costs on operating profit.

Provision for Income Taxes

Provision for income taxes increased by \$2.3 million to \$38.6 million in 2009 from \$36.3 million in the prior year due to growth in income before income taxes.

Net Income and Earnings Per Share

In 2009, we reported net income of \$62.7 million, or \$1.36 per diluted share, compared to \$57.1 million, or \$1.25 per pro forma share, in the prior year. As previously discussed, 2009 benefited from the decrease in the royalty expense and higher net profit from the larger subscriber base partially offset by Brand Introduction costs, and increased impairment costs related to more subscriber disconnects. Net income for 2009 decreased \$12.8 million, net of tax, due to Brand Introduction costs. The impact of Brand Introduction on diluted earnings per share was \$0.28. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of the royalty rate change and the Brand Introduction costs on net income.

Table of Contents*Monthly Recurring Revenue*

MRR increased \$3.7 million or 9.1% as of December 31, 2009 from prior year primarily as the result of the 4.4% increase in the size of the ending subscriber base and a 4.5% increase in average recurring revenue per ending subscriber. The increase in MRR per subscriber was due to adding new subscribers at higher monthly monitoring rates, price increases, disconnecting customers having generally lower monthly recurring rates, and growth in additional chargeable services provided to both new and existing subscribers.

Subscriber Growth

During 2009, the subscriber base grew by 57.4 thousand subscribers, achieving ending subscriber growth of 4.4% as compared to the prior year. The highest growth in our subscriber base was achieved in the authorized dealer subscriber acquisition channel. While housing and overall market conditions are expected to remain challenging into 2010, we believe installations will continue to exceed disconnects, leading to sustained subscriber growth in the mid-single digit range in 2010.

Disconnect Rate

The annualized disconnect rate for 2009 increased to 8.2% from 7.5% in 2008, driven primarily by an increase in customer requested cancellations, with the most significant increase in customers indicating cancellation were for financial reasons. An increase in customer disconnects resulting from account write-offs was offset by a decrease in multifamily disconnects during 2009 relative to prior year.

Profit from Recurring Services

Profit from recurring services increased \$28.6 million or 14.6% to \$223.9 million during 2009 from \$195.3 million in the prior year. The increase was due primarily to the decrease in the royalty rate of \$21.7 million and higher net profits from our larger subscriber base, partially offset by higher impairment charges related to customer disconnects, account servicing costs, and depreciation expense.

Investment in New Subscribers

Investment in new subscribers increased \$21.2 million to \$122.5 million in 2009 from \$101.3 million in the prior year. The increases were primarily the result of \$20.6 million incurred for the Brand Introduction during 2009, an increase in general advertising and selling costs, and a decrease in Builder channel revenue offset by a decrease in costs in the Builder channel.

Adjusted EBITDA from Recurring Services

Adjusted EBITDA from recurring services increased \$23.2 million or 7.3% to \$341.5 million in 2009 from \$318.3 million in the prior year. The increase was primarily the result of subscriber base growth and higher monthly recurring revenue, partially offset by higher account servicing costs.

Adjusted Cash Invested in New Subscribers

Adjusted cash invested in new subscribers increased \$8.8 million or 3.5% to \$257.3 million in 2009 from \$248.5 million in the prior year. These increases were primarily due to increased advertising and selling costs, higher materials costs, and an increase in the average cost of accounts acquired from our authorized dealers. Materials costs increased due primarily to an increase in the installation of wireless product. We anticipate that this additional investment will be recovered in the future through increases in adjusted EBITDA from recurring services.

*2008 Compared to 2007**Revenues*

Revenues increased \$47.9 million or 9.9% to \$532.3 million in 2008 from \$484.4 million in 2007. The increase was primarily due to 7.8% growth in the average subscriber base and 3% higher average monitoring rates, partially offset by an 18% decline in Builder pre-wire and trim-out revenues. The larger subscriber base and higher average monitoring and service rates also contributed to an 8.9% increase in MRR for 2008 as compared to 2007.

Table of Contents

Cost of Revenues

Cost of revenues increased by \$15.1 million or 5.6% to \$287.0 million in 2008 from \$271.9 million in 2007, which was due primarily to the growth in the subscriber base partially offset by the decline in the royalty rate from approximately 7% of revenues to 1.25% of net revenues beginning November 1, 2008. This decrease in the royalty rate reduced cost of revenues by \$5.1 million. Cost of revenues were 53.9% of revenues in 2008 compared to 56.1% in 2007. Had the royalty rate been 1.25% of net revenues for both years, cost of revenues would have been \$262.0 million in 2008 as compared to \$244.8 million in 2007, an increase of 7.0%. Cost of revenues as adjusted for royalty expense of 1.25% of net revenues for both years would have been 49.2% in 2008 as compared to 50.5% in 2007. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of the change in royalty rate on cost of revenues.

Selling, General, and Administrative Expenses

SG&A increased by \$6.6 million or 4.6% to \$150.9 million in 2008 from \$144.3 million in 2007. The increase was primarily due to increased spending in several functional areas, as we continued to invest in our capabilities to service commercial customers. In addition, automobile reimbursement costs increased for sales employees during 2008 as compared to 2007, and administrative costs increased as we entered into our credit facility, and staffed corporate functions required as a result of the Spin-off. These increases were partially offset by a decrease of \$3.9 million in BCO allocated overhead costs prior to the Spin-off in 2008 as compared to 2007. Selling, general and administrative expenses were 28.3% of revenues in 2008 compared to 29.8% in 2007.

Operating Profit

Operating profit increased \$21.0 million or 28.8% to \$94.0 million in 2008 compared to \$73.0 million in 2007, driven primarily by higher profits from recurring services on our larger subscriber base and a decrease in the royalty rate from approximately 7% of revenues before the Spin-off to 1.25% of net revenues after the Spin-off. Had the royalty rate been 1.25% of net revenue for both years, operating profit would have been \$119.0 million in 2008 as compared to \$100.2 million in 2007, an increase of 18.8%. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of the change in royalty rate on operating profit.

Provision for Income Taxes

Provision for income taxes increased by \$8.6 million to \$36.3 million in 2008 compared to \$27.8 million in 2007 due to growth in income before income taxes.

Net Income and Earnings Per Share

For 2008, we reported net income of \$57.1 million, or \$1.25 per diluted share, compared to \$44.2 million, or \$0.96 per pro forma share, for 2007. As previously discussed, the 2008 results benefited from a decrease in the royalty rate charged by BCO from approximately 7% of revenues to 1.25% of net revenues beginning November 1, 2008. Refer to "Reconciliation of Non-GAAP Measures" section for further analysis on the impact of the change in royalty rate on net income.

Monthly Recurring Revenue

MRR increased \$3.3 million or 8.9% from 2008 to 2007 primarily as the result of the increase in the size of the subscriber base and the increase in recurring revenue per subscriber. The increase in MRR per subscriber is the result of adding new subscribers at higher monthly recurring rates, increasing prices charged to selected portions of the existing subscriber base, and providing additional services to both new and existing subscribers.

Subscriber Growth

As of December 31, 2008, the number of ending subscribers grew 77.7 thousand or 6.3% compared to 8.8% growth in 2007. Subscriber growth is driven by installations partially offset by subscriber disconnects. During 2008, installations slowed and disconnects increased. Installations grew across most sales acquisition channels, with the exception of multi-family and Builder channels. The subscriber base grew during the year due to the number of installations (173.1 thousand in 2008) continuing to exceed the number of net disconnects (95.4 thousand in 2008).

Table of Contents

Disconnect Rate

The annualized disconnect rate for 2008 increased to 7.5%, up from 7.0% in 2007. The increase in the disconnect rate was primarily due to an increase in customer-requested cancellations, with the most significant increase in customers indicating cancellations were for financial reasons. Household moves were a major driver of disconnects, however net cancellations due to moves were down slightly as a percent of the subscriber base in 2008 as compared to 2007. Disconnects resulting from account write-offs were flat year over year.

Profit from Recurring Services

Profit from recurring services increased \$26.4 million or 15.6% to \$195.3 million during 2008 from \$168.9 million in 2007. The increase was due primarily to higher profits from recurring services from our larger subscriber base and a decrease in the royalty rate subsequent to the Spin-off.

Investment in New Subscribers

Investment in new subscribers increased \$5.4 million to \$101.3 million in 2008 from \$95.9 million in 2007 primarily due to increased spending in several functional areas, as we continued to invest in our capabilities to service commercial customers.

Adjusted EBITDA from Recurring Services

This measure increased by 11.2% to \$318.3 million in 2008 as compared to \$286.3 million in 2007. The increase was primarily the result of the increase in the size of the subscriber base and the increase in recurring revenue per subscriber.

Adjusted Cash Invested in New Subscribers

Adjusted cash invested in new subscribers increased \$11.0 million or 4.6% to \$248.5 million in 2008 from \$237.5 million in 2007. This increase was primarily due to increased spending to invest in our capabilities to service commercial customers, higher materials costs, and an increase in the average cost of accounts acquired from our authorized dealers.

Supplemental Information

Subscriber Activity

(Subscriber activity in thousands, rates in percentages)

	December 31,			%Change	
	2009	2008	2007	2009	2008
Number of subscribers:					
Beginning of period	1,301.6	1,223.9	1,124.9		
Installations ^(a)	166.5	173.1	180.8	(3.8)	(4.3)
Disconnects ^{(a),(b)}	(109.1)	(95.4)	(81.8)	14.4	16.6
End of period	<u>1,359.0</u>	<u>1,301.6</u>	<u>1,223.9</u>	<u>4.4</u>	<u>6.3</u>
Average number of subscribers	1,334.5	1,267.5	1,176.1	5.3	7.8
Annualized disconnect rate ^(c)	8.2	7.5	7.0		
Disconnect rate, excluding multifamily disconnects ^(d)	8.0	7.1	6.6		

(a) Customers who move from one location and then initiate a new monitoring agreement at a new location, totaling 21.1 thousand, 22.8 thousand, and 26.4 thousand for the years ended 2009, 2008, and 2007, respectively, are not included in either installations or disconnects. Dealer accounts cancelled and charged back to the dealer during the specified contract term are excluded from installations and disconnects.

(b) Inactive sites that are returned to active service, which we call system takeovers, reduce disconnects and were 26.8 thousand, 26.2 thousand, and 26.9 thousand for the years ended 2009, 2008, and 2007, respectively.

(c) The annualized disconnect rate is a ratio. The numerator is the number of customer cancellations during the period multiplied by the appropriate ratio for the twelve month period. The denominator is the average number of customers during the period. The gross number of customer cancellations is reduced for customers who move from one location and then initiate a new monitoring agreement at a new location, disconnected accounts charged back to the dealers because the customers cancelled service during the specified contractual term, and inactive sites that are returned to active service during the period.

(d) Disconnect rate as defined in Note (c), excluding multifamily account cancellations.

Table of Contents

Reconciliation of Non-GAAP Measures

Operating Results Adjusted for Brand Introduction Costs and Royalty Rate

Our results of operations include costs related to our Brand Introduction, incurred primarily in 2009, and royalty expense that is charged to us by BCO for the use of certain trademarks. The royalty rate utilized for the months January through October 2008 and year ended December 31, 2007 was approximately 7% of revenues in the United States and 3% of revenues outside of the United States. However, for November and December 2008 and the year ended December 31, 2009, the royalty rate used was approximately 1.25% of revenues for both within and outside the United States. For comparability of financial results, we present operating results adjusted by Brand Introduction costs and the 1.25% royalty rate for 2009. This supplemental non-GAAP information should be reviewed in conjunction with our historical condensed consolidated statements of income.

The table below reconciles operating results adjusted by the 1.25% royalty rate and Brand Introduction costs to GAAP operating results for 2009, 2008, and 2007.

(in millions, except EPS)	December 31,		
	2009	2008	2007
Non-GAAP operating profit	\$122.0	\$119.0	\$100.2
Brand Introduction	(20.6)	—	—
Adjustment to royalty rate	—	(25.0)	(27.2)
GAAP operating profit	<u>\$101.4</u>	<u>\$ 94.0</u>	<u>\$ 73.0</u>
Non-GAAP net income	\$ 75.5	\$ 72.4	\$ 60.9
Brand Introduction	(20.6)	—	—
Adjustment to royalty rate	—	(25.0)	(27.2)
Tax effect of adjustments	7.8	9.7	10.5
GAAP net income	<u>\$ 62.7</u>	<u>\$ 57.1</u>	<u>\$ 44.2</u>
Non-GAAP earnings per share — diluted	\$ 1.64	\$ 1.58	\$ 1.33
Brand Introduction	(0.45)	—	—
Adjustment to royalty rate	—	(0.54)	(0.60)
Tax effect of adjustments	0.17	0.21	0.23
GAAP earnings per share — diluted	<u>\$ 1.36</u>	<u>\$ 1.25</u>	<u>\$ 0.96</u>

Monthly Recurring Revenues

MRR is a non-GAAP measure used to evaluate performance. We believe the presentation of MRR is useful to investors because the measure is widely used in the industry to assess the amount of recurring revenues from subscriber, monitoring, and other service fees. This supplemental non-GAAP information should be reviewed in conjunction with our historical consolidated statements of income.

The table below reconciles monthly recurring revenues, a non-GAAP measure, to revenues, its closest GAAP counterpart.

(in millions)	December 31,		
	2009	2008	2007
Monthly recurring revenues ("MRR") ^(a)	\$ 44.2	\$ 40.5	\$ 37.2
Amounts excluded from MRR:			
Amortization of deferred revenue ^(b)	3.3	3.6	2.8
Other revenues ^(c)	1.2	1.4	1.6
Revenues on a GAAP basis:			
December	48.7	45.5	41.6
January — November	516.4	486.8	442.8
Reported GAAP January — December Revenue	<u>\$565.1</u>	<u>\$532.3</u>	<u>\$484.4</u>

(a) MRR is calculated based on the number of subscribers at period end multiplied by the average fee per subscriber received in the last month of the period for contracted monitoring and maintenance services.

Table of Contents

- (b) Includes amortization of deferred revenue related to active subscriber accounts and recognition of deferred revenue related to subscriber accounts that disconnect.
- (c) Other revenues are not pursuant to monthly contractual billings, including but not limited to revenue from commercial product sales, on-call service revenue, and pre-wire and trim-out revenue from the Builder channel. Other revenues also include terminated contract penalty billings for breached contracts, pass-through revenue (alarm permit fees, false alarm fines, etc.), and partial month revenues recognized from customers who disconnected during the last month of the period and are therefore not included in MRR. This amount is reduced for adjustments recorded against revenue (primarily customer goodwill credits and other billing adjustments), and for the amount included in MRR for new customers added during the last month of the period for those portions of the month for which revenues were not recognized for such customers.

Profit from Recurring Services and Investment in New Subscribers

Profit from recurring services and investment in new subscribers are non-GAAP measures used to evaluate performance. We believe the presentation of these measures is useful to investors as it reflects the ongoing profit generated from the subscriber base and the net expenses incurred to acquire new subscribers. This supplemental non-GAAP information should be reviewed in conjunction with our historical consolidated statements of income.

The table below reconciles profit from recurring services and investment in new subscribers for the years ended December 31, 2009, 2008, and 2007 to net income, their closest GAAP counterpart.

(in millions)	December 31,		
	2009	2008	2007
Profit from recurring services ^(a)	\$ 223.9	\$ 195.3	\$ 168.9
Investment in new subscribers ^(b)	(122.5)	(101.3)	(95.9)
Interest expense	(0.1)	(0.6)	(1.0)
Provision for income taxes	(38.6)	(36.3)	(27.8)
Net income	\$ 62.7	\$ 57.1	\$ 44.2

- (a) Reflects operating profit generated from the existing subscriber base including the amortization of deferred revenues and deferred acquisition costs as these amounts are recognized over time and are unrelated to generating new subscribers in the current period.
- (b) Primarily marketing and selling expenses, including the Brand Introduction costs of \$20.6 million for 2009, net of the deferral of subscriber acquisition costs (primarily a portion of sales commissions and related costs) incurred in the acquisition of new subscribers. This metric also includes operating expenses related to the Builder channel.

Adjusted EBITDA from Recurring Services and Adjusted Cash Invested in New Subscribers

Adjusted EBITDA from recurring services and adjusted cash invested in new subscribers are measures used to monitor our operating performance. This supplemental non-GAAP information should be reviewed in conjunction with our historical consolidated statements of income and cash flow.

The table below reconciles adjusted EBITDA from recurring services and adjusted cash invested in new subscribers for years ended December 31, 2009, 2008, and 2007 to net income, their closest GAAP counterpart.

(in millions)	December 31,		
	2009	2008	2007
Adjusted EBITDA from recurring services	\$ 341.5	\$ 318.3	\$ 286.3
Adjustment to royalty rate ^(a)	—	(21.7)	(23.5)
Depreciation and amortization	(91.2)	(85.3)	(77.7)
Impairment charges from subscriber disconnects	(65.9)	(56.5)	(50.4)
Amortization of deferred revenue	39.5	40.5	34.2
Profit from recurring services	223.9	195.3	168.9
Adjusted cash invested in new subscribers	(257.3)	(248.5)	(237.5)
Deferred revenue from new subscribers (current year receipts)	(39.8)	(44.3)	(47.4)
Deferred subscriber acquisition costs (current year payments)	21.8	23.1	23.8
Security system capital expenditures ^(b)	173.4	168.4	165.2
Brand Introduction ^(c)	(20.6)	—	—
Investment in new subscribers	(122.5)	(101.3)	(95.9)

Interest expense	(0.1)	(0.6)	(1.0)
Provision for income taxes	<u>(38.6)</u>	<u>(36.3)</u>	<u>(27.8)</u>
Net income	<u>\$ 62.7</u>	<u>\$ 57.1</u>	<u>\$ 44.2</u>

Table of Contents

- (a) Our results of operations include a royalty expense that was charged to us by our former parent company for use of certain trademarks. The rate utilized prior to the Spin-off on October 31, 2008 was approximately 7% of revenues in the United States and 3% of revenues outside of the United States. However, for periods after the Spin-off, the rate used was approximately 1.25% of revenues for both within and outside the United States. For comparison purposes, the current royalty rate of 1.25% was used for the first ten months of 2008 and the year ended December 31, 2007. The royalty adjustment excludes a portion of royalty expense allocated to investment in new subscribers (\$3.3 million for 2008 and \$3.7 million for 2007) to arrive at adjusted EBITDA from recurring services.
- (b) Amount excludes non-security system capital expenditures of \$13.7 million, \$9.4 million, and \$12.6 million for the years ended December 31, 2009, 2008, and 2007, respectively.
- (c) Brand Introduction expenses are excluded from adjusted cash invested in new subscribers.

LIQUIDITY AND CAPITAL RESOURCES***Liquidity and Capital Resources***

At December 31, 2009, our balance of cash and cash equivalents is \$113.2 million. In addition, we have \$5.0 million invested in short-term certificates of deposit. As of December 31, 2009, we believe our liquidity risks are minimal. With our available resources, we make substantial investments in new subscriber sites with the intention of recouping this investment and generating recurring cash flow over time. We believe our cash flows from operations will be sufficient to satisfy future working capital, capital expenditures, and financing requirements for the foreseeable future. However, our ability to generate positive cash flows from operations is dependent on general economic conditions, competitive pressures, and other business and risk factors described elsewhere in this Form 10-K.

In February 2009, the U.S. Congress passed and the President signed a stimulus package that contains a provision for bonus depreciation for federal income tax purposes on certain types of capital assets placed in service in 2009. This provision substantially reduced our requirement to make federal tax payments during 2009, deferring cash payments for most of our 2009 tax liability into subsequent years, beginning in 2010. At the current time, for such periods that we remain a separate reporting entity for federal tax purposes, we anticipate our cash payments for income taxes during 2010 will approximate our provision for income taxes for the year.

Pursuant to the Tax Matters Agreement ("TMA"), BCO elected several tax accounting method changes that were implemented in BCO's U.S. Federal 2008 consolidated tax return, which included our operating results prior to the Spin-off, filed in September 2009. As a result of these elections, our current deferred tax assets decreased by \$16.5 million and noncurrent deferred tax liabilities increased by \$10.8 million. These elections change the timing and amount of deductions in future tax returns, possibly impacting our future cash tax payments. Under current tax law, we do not anticipate a significant increase in future cash tax payments due to these elections provided we continue to grow our subscriber base and continue to defer substantial amounts of installation revenue collected from subscribers. See Note 2 – Transactions with Related Parties in the notes to the consolidated financial statements for further information.

In October 2008, we entered into a credit agreement (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") that provides for a \$75 million unsecured revolving credit facility provided by a bank group led by JPMorgan Chase Bank, N.A. (the "Credit Facility"). A portion of the Credit Facility, up to \$15 million, may be used to issue letters of credit. Additionally, the Credit Facility has an expansion feature providing an option to increase the commitment by up to \$50 million, under certain conditions. We believe that the lenders that are parties to the Credit Agreement are capable of meeting any borrowing requests we may make in the foreseeable future. We intend to use the proceeds of the Credit Facility, as necessary, to support our working capital needs, the growth of the business, and for other general corporate purposes. For the year ended December 31, 2009, no borrowings have been made under the Credit Facility, but we have used the Credit Facility to issue letters of credit totaling \$4.3 million.

The Credit Agreement requires us to satisfy various customary affirmative and negative covenants including: a leverage ratio and fixed charge coverage ratio. As of December 31, 2009, we were in compliance with the Credit Agreement's requirement of no more than 2.5 to 1.0 leverage ratio. We were also in compliance with the Credit Agreement's requirement of at least a fixed charge ratio of 2.0 to 1.0. See Note 12 – Credit Agreement in the notes to our consolidated financial statements for further information regarding the Credit Agreement and the Credit Facility.

Table of Contents

In order for us to comply with certain operating covenants included in the Merger Agreement, and as contemplated by the Merger Agreement, we entered into an amendment and received a limited consent and waiver to the Credit Agreement. Based upon the balance of cash and cash equivalents at December 31, 2009, the availability of funds under the Credit Facility, and cash inflows from operations, we believe we have sufficient liquidity to pursue our plans for subscriber growth and to execute the Brand Introduction as necessary.

Summary Cash Flow Information

Cash flows from operations include cash received from monthly recurring revenue and upfront installation fees received from customers less cash costs to monitor subscribers (including cash corporate costs and cash taxes paid) and certain costs, principally marketing and selling costs, associated with new customer installations. Cash used in investing activities is primarily spent on capital expenditures consisting of equipment, labor, and overhead costs incurred to install security systems for new subscribers and on costs to purchase newly installed security systems from authorized dealers. Prior to the Spin-off, cash flows from financing activities were primarily related to distributions from and contributions to BCO. See Note 2 – Transactions with Related Parties in the notes to the consolidated financial statements for a discussion of our ongoing relationship with BCO after the Spin-off.

The following table shows selected information from our statement of cash flows for the periods presented.

(in millions)	December 31,		
	2009	2008	2007
Cash flows from:			
Operating activities	\$ 240.1	\$ 224.0	\$ 183.7
Investing activities	(192.1)	(177.8)	(175.8)
Cash flows available for financing activities	\$ 48.0	\$ 46.2	\$ 7.9
Financing activities	\$ 1.4	\$ 14.2	\$ (7.3)

2009 Compared to 2008

Cash Flow from Operating Activities

Operating cash flow increased by \$16.1 million to \$240.1 million in 2009 from \$224.0 million in 2008, primarily due to the positive effects of a larger subscriber base of approximately \$23.2 million. Operating cash flow also increased approximately \$24.6 million as a result of the reduction in the royalty rate from the prior year. Additionally, operating cash flow increased due to an increase in deferred income taxes and corresponding reduction of cash tax payments resulting from electing bonus depreciation for federal tax purposes for certain types of capital assets placed in service during the year. These increases to cash flow were partially offset by increased uses of cash including Brand Introduction payments of approximately \$20.6 million and increased income tax payments of \$5.5 million.

Cash Flow from Investing Activities

Investing cash outflows increased by \$14.3 million to \$192.1 million in 2009 from \$177.8 million in the prior year. Non-security system capital expenditures increased to \$13.7 million in 2009 compared to \$9.4 million in the prior year primarily due to the expansion of, and improvements to, our facilities and upgrades in telecommunication and computer equipment. Capital expenditures for security systems increased by \$5.0 million to \$173.4 million in 2009 relative to the prior year. The majority of our capital expenditures are for equipment, labor, overhead costs incurred to install security systems for new subscribers, and costs to purchase new sites from authorized dealers. The average capital expenditure per new customer site, including new sites installed for existing customers who relocated, increased by \$67 to \$924 in 2009 from \$857 in the prior year due primarily to an increase in security system assets acquired from dealers. Security assets acquired from dealers have higher average capitalized costs. Furthermore, we purchased \$5.0 million in certificates of deposit in 2009 which increased cash flow used in investing activity.

Cash Flow from Financing Activities

During 2009, financing activities were minimal and consisted of proceeds from stock option exercises. Cash flows from financing activities of \$14.2 million in 2008 were primarily contributions to BCO resulting from positive net cash flow from operating and investing activities prior to Spin-off.

Table of Contents

2008 Compared to 2007

Cash Flow from Operating Activities

Operating cash flow increased by \$40.3 million to \$224.0 million in 2008 compared to \$183.7 million in 2007 primarily due to the positive effects of a larger subscriber base, lower installation volume, and a reduction in the royalty rate. New security system installations declined by 4.3% from approximately 180.8 thousand in 2007 to approximately 173.1 thousand in 2008. Additionally, operating cash flow increased due to an increase in deferred income taxes resulting from electing bonus depreciation for federal tax purposes for certain types of capital assets placed in service during the year.

Cash Flow from Investing Activities

Investing cash outflows increased by \$2.0 million to \$177.8 million in 2008 compared to 2007. Gross capital expenditure spending was the same in both years; however, in 2007, we received \$2.0 million in insurance proceeds that reduced investing cash outflows. Capital expenditures are primarily for equipment, labor and overhead costs incurred to install security systems for new subscribers, and costs to purchase new sites from dealers. New customer sites added to the subscriber base, including new sites installed for existing customers who relocated, before the effect of disconnects were approximately 196.5 thousand sites as compared to 207.8 thousand sites in 2007. The average capital expenditure per new customer site increased by \$62 to \$857 in 2008 as compared to \$795 in 2007.

Cash Flow from Financing Activities

Cash flows from financing activities increased \$21.5 million to \$14.2 million in 2008 from a \$7.3 million outflow in 2007. Prior to the Spin-off, cash flows from financing activities consisted primarily of contributions to and distributions from BCO resulting from operating and investing activities. As of October 31, 2008, BCO contributed \$50 million cash to us as a condition of the Spin-off. In 2008, before the Spin-off, we distributed \$32.2 million in cash to BCO generated from positive cash flows before financing.

Off Balance Sheet Transactions

We have operating leases that are described in the notes to our consolidated financial statements. See Note 7 – Operating Lease in the notes to the consolidated financial statements for operating leases that have residual value guarantees. We use operating leases to lower our cost of financing. We believe operating leases are an important component of our capital structure.

In connection with the Spin-off, we have been indemnified by BCO for all liabilities related to BCO's former coal operations and certain tax liabilities under the Tax Matters Agreement. Refer to Note 13 — Commitments and Contingencies for further information regarding indemnification of BCO's coal liabilities and Note 6 — Income Taxes in the notes to our consolidated financial statements for further information.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2009.

(in millions)

	Estimated Payments Due by Period						Total
	2010	2011	2012	2013	2014	Later Years	
Contractual obligations							
Operating lease obligations	\$ 8.7	\$7.3	\$5.2	\$3.4	\$1.3	\$0.2	\$26.1
Uncertain tax positions ^(a)	5.4						5.4
Purchase obligations	2.4						2.4
Total ^(b)	<u>\$16.5</u>	<u>\$7.3</u>	<u>\$5.2</u>	<u>\$3.4</u>	<u>\$1.3</u>	<u>\$0.2</u>	<u>\$33.9</u>

(a) We have accrued for uncertain tax positions, pursuant to accounting guidance, in the amount of \$5.4 million in 2009. The expected timing of the cash settlement for the \$5.4 million is currently not reasonably estimable.

(b) Net deferred income tax liabilities have been excluded from this table. We are unable to estimate the timing of income tax payments due to the inherent uncertainties of this obligation.

Inflation

We believe that inflation has not materially affected our operations.

Table of Contents**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The application of accounting policies necessarily involves judgment and, in certain instances, the use of estimates and assumptions. Different amounts could be reported under different conditions or using different assumptions. We believe that the accounting policies used to develop estimates that are the most critical to understanding and evaluating our reported results relate to: revenue recognition, security systems capitalization, deferred subscriber acquisition costs, long-lived asset valuation, useful lives of security systems, allowance for doubtful accounts, and income taxes.

Historically, actual results have not differed materially from estimates.

We have discussed the development and selection of the critical accounting policies with our Audit and Finance Committee of our Board of Directors. The Audit and Finance Committee has reviewed our disclosures relating to these policies in this section of our Annual Report. For a description of all of our significant accounting policies see Note 1 – Description of Business, The Spin-off, Basis of Presentation, and Significant Accounting Policies in the notes to our consolidated financial statements.

Revenue Recognition

Major components of our revenue include contractual monitoring and service revenues, non-refundable installation fees, including connection fees, additional equipment installation fees, sales of equipment without an extended contractual relationship, and other services. We defer certain revenues associated with customer acquisition.

We recognize contractual monitoring and service revenue monthly as we provide services pursuant to the terms of subscriber contracts which have contract prices that are fixed and determinable. The subscriber's ability to meet the contract terms is assessed, including payment terms, before entering into the contract. Generally, we defer revenues associated with installation fees and recognize them using the straight-line method over the life of the customer relationship, which we currently estimate to be 15 years. We recognize revenues associated with the sale of products for which there is no attached extended contractual relationship when the products are delivered. We recognize revenues from services not covered by the terms of subscriber contracts as those services are rendered.

Unamortized balances of deferred revenue resulting from installation fees and the associated deferred cost in the event the related security system asset is disconnected and considered for impairment is immediately recognized, as described in "Deferred Subscriber Acquisition Costs."

Sales taxes collected from customers and remitted to governmental authorities are not included in revenues in our consolidated statements of income.

Security Systems Capitalization

We retain ownership of most security systems installed at subscriber locations. Capitalized costs related to security systems that are installed using Company employees and subcontractors include equipment and materials used in the installation process, direct labor required to install the equipment at subscriber sites, and other costs associated with the installation process. Other costs include the cost of vehicles used for installations and the portion of telecommunication, facilities, and administrative costs incurred primarily at our branches that are associated with the installation process. We estimate the other costs to be capitalized by allocating branch costs between installation activities and service activities. The portion of costs related to service activities is expensed while the portion of costs related to installation is capitalized. Estimates are re-evaluated periodically. While the relationship between installation and service activities fluctuates, such fluctuations have historically been insignificant and are not expected to materially change in the future. No corporate general and administrative or overhead costs are capitalized. In 2009, direct labor and other costs represented approximately 67% of the amounts capitalized, while equipment and materials represented approximately 33% of amounts capitalized. Security system assets acquired from third party dealers are capitalized at the contractually determined purchase price.

Deferred Subscriber Acquisition Costs

We incur marketing and selling costs to obtain new subscribers. Certain subscriber acquisition costs are deferred, primarily incremental direct selling costs. Substantially all deferred subscriber acquisition costs consist of incremental sales compensation and fringe benefits and referral fees paid which are directly related to successful subscriber acquisition efforts. The amount of deferred commissions is based on the percentage of successful sales to total sales efforts. We expense all marketing costs and indirect selling costs as current period costs.

Table of Contents

For most installations, subscriber acquisition costs are less than deferred installation fees and are amortized using a straight-line method over the 15 year estimated life of the customer relationship. Estimated lives of the customer relationship are based on our ongoing annual analysis of subscriber and site retention. When a security system asset is identified for possible impairment, any unamortized deferred subscriber acquisition costs related to that installation are immediately recognized.

For subscribers acquired through our Builder channel activities, there are no deferred revenues. Subscriber acquisition costs are deferred for these activities and amortized using a straight-line method over the three-year initial monitoring contract term. We evaluate recoverability of the deferred acquisition costs by comparing the cost incurred to the expected cash to be received under the initial term of the related monitoring contract less estimated incremental costs to monitor the site. Because the expected net cash flows from the initial monitoring contract significantly exceed the deferred subscriber acquisition costs, we believe that the deferred subscriber acquisition costs are recoverable. Deferred subscriber acquisition costs of a Builder channel activation typically is approximately one-third of the minimum contractual revenues from the initial monitoring contract.

Historically, the relationship of deferred subscriber acquisition costs to the expected initial monitoring contract revenues has not changed materially and material changes in the foreseeable future are not expected.

Long-Lived Asset Valuation

At December 31, 2009, we had net property and equipment of \$710.1 million, including \$1,012.5 million related to security systems. Long-lived assets, including security systems, are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Impairment is indicated when the estimated total undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment is indicated, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value.

Impairment charges for security systems are recorded in cost of revenues based on the carrying value of security systems estimated to be permanently impaired during the period. The carrying value is the remaining net book value associated with a security system that has been disconnected. The number of permanently impaired security systems are estimated based on the actual disconnects during the period less an estimated number of those sites that will reconnect within a reasonable period in the future. The estimate of sites that will reconnect within a reasonable period in the future is analyzed and updated on an ongoing basis using actual historical data. The actual reconnect rate has not fluctuated materially over the past five years. For the sites that are expected to be reconnected within a reasonable period, the undiscounted cash flows expected to result from the reactivations exceed the carrying value of the security system assets, and accordingly, no impairment is recorded for those assets. Should the estimate of future reconnection materially change, our impairment charges could be affected.

Deferred installation revenues and deferred subscriber acquisition costs are associated with the subscriber relationship as opposed to the underlying physical asset. The carrying value of deferred installation fees and the associated carrying value of deferred acquisition costs are immediately recognized in the event of subscriber contract cancellation.

Useful Lives of Security Systems

Most security system assets are depreciated using the straight-line method over the 15 year estimated economic useful lives of the assets. At least annually, economic useful lives of security system assets are re-evaluated based upon our ongoing analysis of all pertinent factors, including observation of sites remaining in active service, historical disconnect and reconnect data, and assessment of the estimated technological life of the installed systems. Economic useful life of these security system assets are estimated primarily based on actual observations of the percentage of security system assets that remain in active status as the installed systems age over time. The percentage relationships have remained relatively stable over time. The percentage relationships are not expected to change materially in the foreseeable future.

Security systems at multi-family locations are depreciated using the straight-line method over the initial term of the related monitoring contracts, which range from three to ten years.

Table of Contents

Allowance for Doubtful Accounts

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses on existing accounts receivable. The allowance is based on historical write-off experience. The allowance for doubtful accounts is reviewed quarterly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Total allowance for uncollectible accounts receivable as of December 31, 2009 was \$6.0 million, representing approximately 14.1% of the total accounts receivable. At December 31, 2008, the total allowance for doubtful accounts was \$4.9 million, which was approximately 11.9% of the total accounts receivable.

Income Taxes

Deferred tax assets or liabilities are recorded to reflect the future tax consequences of temporary differences between the financial reporting basis of assets and liabilities and their tax basis at each year-end. These amounts are adjusted, as appropriate, to reflect enacted changes in tax rates expected to be in effect when the temporary differences reverse.

In the ordinary course of business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize potential liabilities for anticipated tax audit issues based on an estimate of the ultimate resolution of whether additional taxes may be due. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

As part of our financial process, we must assess the likelihood that deferred tax assets can be recovered. If recovery is not likely, the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to be ultimately recoverable. In this process, certain relevant criteria are evaluated including the existence of deferred tax liabilities that can be used to absorb deferred tax assets and taxable income in future years. Judgment regarding future taxable income may change due to future market conditions, changes in U.S. tax laws and other factors. These changes, if any, may require material adjustments to these deferred tax assets and an accompanying reduction or increase in net income in the period when such determinations are made.

We were included in BCO's consolidated federal and state income tax returns prior to the Spin-off and will file stand-alone returns for subsequent periods. However, the provision for income taxes in the consolidated financial statements has been determined for pre Spin-off periods as if we had filed our own income tax returns separate and apart from BCO for those periods.

See below for the schedule of effective tax rates and the provision for income taxes:

Years Ended December 31,	Provision for income taxes (in millions)			Effective tax rate (in percentages)		
	2009	2008	2007	2009	2008	2007
	\$ 38.6	\$ 36.3	\$ 27.8	38.1	38.9	38.6

New Accounting Standards

In September 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance for the accounting for revenue arrangements with multiple deliverables. The guidance establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific evidence nor third-party evidence is available. The guidance requires arrangements under which multiple revenue generating activities to be performed be allocated at inception. The residual method under the existing accounting guidance has been eliminated. The guidance expands the disclosure requirements related to multiple-deliverable revenue arrangements. The guidance becomes effective for revenue arrangements entered into or materially modified beginning in fiscal 2011, with early adoption permitted. The guidance applies on a prospective basis unless the Company specifically elects to apply the guidance retrospectively. The Company does not expect the guidance to have an impact on its financial position, results of operations, or cash flows.

Effective in the fourth quarter of 2009, the Company adopted an amendment issued by the FASB to the accounting standards related to the measurement of liabilities that are recognized or disclosed at fair value on a recurring basis. This standard clarifies how a company should measure the fair value of liabilities and that restrictions preventing the transfer of a liability should not be considered as a factor in the measurement of liabilities within the scope of this standard. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position, or cash flow.

Table of Contents

In June 2009, the FASB issued authoritative guidance which established the FASB Accounting Standards Codification as the source of authoritative U.S. GAAP recognized by the FASB to be applied to nongovernmental entities, and rules and interpretive releases of the Securities and Exchange Commission ("SEC") as authoritative U.S. GAAP for SEC registrants. The Codification supersedes all the existing non-SEC accounting and reporting standards upon its effective date and, subsequently, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. The guidance is not intended to change or alter existing U.S. GAAP. The guidance became effective for the Company in the third quarter of 2009. The guidance did not have an impact on the Company's financial position, results of operations or cash flows. All references to previous numbering of FASB Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts have been removed from the financial statements and accompanying footnotes.

Effective June 30, 2009, the Company adopted a newly issued accounting standard related to accounting for, and disclosure of, subsequent events in its consolidated financial statements. This standard provides the authoritative guidance for subsequent events that was previously addressed only in United States auditing standards. This standard establishes general accounting for, and disclosure of, events that occur after the balance sheet date, but before financial statements are issued or are available to be issued and requires the Company to disclose the date through which it has evaluated subsequent events and whether that was the date the financial statements were issued or available to be issued. This standard does not apply to subsequent events or transactions that are within the scope of other applicable U.S. GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. The adoption of this standard in the second quarter of 2009 did not have a material impact on the Company's consolidated financial statements. The Company evaluated all events or transactions that occurred after December 31, 2009 up through February 24, 2010, the date financial statements are issued. During this period, the Company did not have any material recognizable subsequent events, except as disclosed in Note 17 – Subsequent Events in the notes to the consolidated financial statements.

In June 2008, the FASB issued guidance that related to unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid). These awards are participating securities and should be included in the computation of earnings per share under the two-class method. The adoption of this guidance in the first quarter of 2009 did not have a material impact on the calculation or reporting of the Company's earnings per share.

In December 2007, the FASB issued guidance that established requirements for an acquirer to record assets acquired, liabilities assumed, and any related noncontrolling interest related to the acquisition of a controlled subsidiary, measured at fair value as of the acquisition date. The adoption of this guidance in the first quarter of 2009 did not have a material effect on the Company's results of operations and financial position.

In December 2007, the FASB issued guidance to establish accounting and reporting standards for the noncontrolling interest in a subsidiary, and for the deconsolidation of a subsidiary. Specifically, this guidance clarifies that noncontrolling interests in a subsidiary should be reported as equity in the consolidated financial statements. The adoption of this guidance in the first quarter of 2009 did not have a material effect on the Company's results of operations and financial position.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***Foreign Currency Risk***

Our operations include activities in the United States and Canada. These operations expose us to a variety of market risks, including the effects of changes in commodity prices and foreign currency exchange rates. These financial and commodity exposures are monitored as an integral part of our overall risk management program.

The market risk exposure sensitivity analysis is based on the facts and circumstances in effect at December 31, 2009. Actual results will be determined by a number of factors that are not under our control and could vary materially from those disclosed.

We have exposure to the effects of foreign currency exchange rate fluctuations on the results of our Canadian operations. Our Canadian operations use the Canadian dollar to conduct business, but our consolidated results are reported in U.S. dollars.

We are exposed periodically to the foreign currency rate fluctuations that affect transactions not denominated in the functional currency of our domestic and foreign operations. We do not use derivative financial instruments to hedge investments in foreign subsidiaries since such investments are long-term in nature.

Table of Contents

The following table shows the financial statement effects of a hypothetical simultaneous 10% appreciation in the U.S. dollar from year-end 2009 levels against the Canadian dollar.

Hypothetical Effects

<i>(in millions)</i>	<u>Amount</u>
Translation of 2009 earnings into U.S. dollars	\$ 0.2
Transactional exposures	0.8
Translation of net assets of Canadian subsidiary	0.6

Interest Rate Risk

During 2008, we entered into the Credit Agreement that provides for the \$75 million Credit Facility. The pricing on the Credit Facility is based on, generally at our discretion, the greater of the Prime Rate or the Federal Funds Rate plus one-half of one percent, or LIBOR, plus an adjustment based on our leverage ratio, as defined by the Credit Agreement. As of December 31, 2009, we have not drawn on the Credit Facility, although we have used the Credit Facility to issue letters of credit totaling \$4.3 million.

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**BRINK'S HOME SECURITY HOLDINGS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>Page</u>
CONSOLIDATED FINANCIAL STATEMENTS	39
Consolidated Balance Sheets	41
Consolidated Statements of Income and Comprehensive Income	42
Consolidated Statements of Shareholders' Equity	43
Consolidated Statements of Cash Flows	44
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
Note 1 — Description of Business, The Spin-off, Basis of Presentation, and Significant Accounting Policies	45
Note 2 — Transactions with Related Parties	50
Note 3 — Accounts Receivable	51
Note 4 — Property and Equipment, net	51
Note 5 — Other Accrued Liabilities	52
Note 6 — Income Taxes	52
Note 7 — Operating Leases	55
Note 8 — Other Operating Income, net	55
Note 9 — Capital Stock	55
Note 10 — Share-Based Compensation Plans	55
Note 11 — 401(k) Plan	59
Note 12 — Credit Agreement	59
Note 13 — Commitments and Contingencies	60
Note 14 — Geographic Information	60
Note 15 — Earnings per Share	61
Note 16 — Selected Quarterly Financial Data (unaudited)	61
Note 17 — Subsequent Events	62

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
Brink's Home Security Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Brink's Home Security Holdings, Inc. and subsidiaries ("Company") as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Brink's Home Security Holdings, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas
February 24, 2010

Table of Contents**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders
Brink's Home Security Holdings, Inc.:

We have audited Brink's Home Security Holdings, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Brink's Home Security Holdings, Inc.'s management (the "Company") is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Brink's Home Security Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Brink's Home Security Holdings, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated February 24, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Dallas, Texas
February 24, 2010

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Balance Sheets

(In millions, except share amounts)

	December 31,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$113.2	\$ 63.6
Certificates of deposit	5.0	—
Accounts receivable (net of allowance of \$6.0 and \$4.9 million as of December 31, 2009 and December 31, 2008, respectively)	36.5	36.3
Prepaid expenses and other	11.4	9.2
Deferred income taxes	9.9	24.8
Total current assets	176.0	133.9
Property and equipment, net	710.1	659.3
Deferred subscriber acquisition costs, net	84.5	83.7
Total Assets	\$970.6	\$876.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24.4	\$ 20.4
Payroll and other employee liabilities	12.6	15.5
Other accrued liabilities	20.4	19.2
Deferred revenue	46.6	43.2
Total current liabilities	104.0	98.3
Deferred revenue	182.2	181.0
Deferred income taxes	149.4	104.8
Other liabilities	11.6	10.8
Total liabilities	447.2	394.9
Commitments and contingencies (see Note 13)		
Shareholders' Equity:		
Preferred stock, \$10 par value, 2.0 million shares authorized, no shares issued	\$ —	\$ —
Common stock, no par value, 170 million shares authorized, 45.8 million shares issued and outstanding for December 31, 2009 and December 31, 2008	—	—
Additional paid-in capital	60.3	54.5
Retained earnings	464.8	428.9
Accumulated other comprehensive loss	(1.7)	(1.4)
Total shareholders' equity	523.4	482.0
Total Liabilities and Shareholders' Equity	\$970.6	\$876.9

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Statements of Income and Comprehensive Income

(In millions, except per share data)

	Years Ended December 31,		
	2009	2008	2007
Revenues	\$565.1	\$532.3	\$484.4
Expenses:			
Cost of revenues	274.3	287.0	271.9
Selling, general and administrative expenses	190.9	150.9	144.3
Total expenses	465.2	437.9	416.2
Other operating income (expense), net	1.5	(0.4)	4.8
Operating profit	101.4	94.0	73.0
Interest expense, net	(0.1)	(0.6)	(1.0)
Income before income taxes	101.3	93.4	72.0
Provision for income taxes	38.6	36.3	27.8
Net income	\$ 62.7	\$ 57.1	\$ 44.2
Other Comprehensive Income			
Other comprehensive income (loss) – foreign currency translation adjustments arising during the period	(0.3)	0.5	(0.6)
Comprehensive income	\$ 62.4	\$ 57.6	\$ 43.6
Earnings per common share (see Note 15)			
Basic	\$ 1.37	\$ 1.25	\$ 0.96
Diluted	\$ 1.36	\$ 1.25	\$ 0.96
Weighted average common shares outstanding (see Note 15)			
Basic	45.9	45.8	45.8
Diluted	46.0	45.8	45.9

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Statements of Shareholders' Equity

(In millions, except share amounts)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2006	2.0	\$ 2.0	\$ 1.8	\$ 355.1	\$ (1.3)	\$357.6
Net income	—	—	—	44.2	—	44.2
Other comprehensive income	—	—	—	—	(0.6)	(0.6)
Adoption of accounting guidance related to uncertain tax positions (see Note 1 and 6)	—	—	—	4.3	—	4.3
Balance as of December 31, 2007	2.0	2.0	1.8	403.6	(1.9)	405.5
Net income	—	—	—	57.1	—	57.1
Other comprehensive income	—	—	—	—	0.5	0.5
Reclassification of par value upon issuance of no-par common stock at Spin-off	(2.0)	(2.0)	2.0	—	—	—
Contribution of cash from BCO at Spin-off (see Note 2)	—	—	50.0	—	—	50.0
Deemed dividend to BCO at Spin-off (see Note 2)	—	—	—	(31.8)	—	(31.8)
Disbursement of 45.8 million no-par common shares to shareholders of BCO	45.8	—	—	—	—	—
Share-based compensation expense	—	—	0.7	—	—	0.7
Balance as of December 31, 2008	45.8	—	54.5	428.9	(1.4)	482.0
Net income	—	—	—	62.7	—	62.7
Other comprehensive income	—	—	—	—	(0.3)	(0.3)
Share-based compensation expense	—	—	4.4	—	—	4.4
Proceeds from exercise of stock awards	—	—	1.2	—	—	1.2
Excess tax benefit of stock options exercised	—	—	0.2	—	—	0.2
Adjustment to deemed dividend to BCO at Spin-off (see Note 2)	—	—	—	(26.8)	—	(26.8)
Balance as of December 31, 2009	<u>45.8</u>	<u>\$ —</u>	<u>\$ 60.3</u>	<u>\$ 464.8</u>	<u>\$ (1.7)</u>	<u>\$523.4</u>

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

Consolidated Statements of Cash Flows

(In millions)

	Years Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 62.7	\$ 57.1	\$ 44.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	91.2	85.3	77.7
Impairment charges from subscriber disconnects	65.9	56.5	50.4
Amortization of deferred revenue	(39.5)	(40.5)	(34.2)
Deferred income taxes	32.1	40.6	9.6
Share-based compensation	4.4	0.7	—
Provision for uncollectible accounts receivable	12.1	11.6	10.6
Other operating, net	(1.5)	2.0	(1.4)
Loss on disposal of assets	0.2	—	—
Change in operating assets and liabilities:			
Accounts receivable	(12.4)	(9.8)	(8.8)
Accounts payable and accrued liabilities	8.2	(0.7)	10.0
Deferral of subscriber acquisition costs	(21.8)	(23.1)	(23.8)
Deferral of revenue from new subscribers	39.8	44.3	47.4
Prepaid expenses and other current assets	(2.0)	(0.2)	(0.2)
Other, net	0.7	0.2	2.2
Net cash provided by operating activities	240.1	224.0	183.7
Cash flows from investing activities:			
Capital expenditures	(187.1)	(177.8)	(177.8)
Purchase of certificates of deposit	(5.0)	—	—
Insurance proceeds	—	—	2.0
Net cash used in investing activities	(192.1)	(177.8)	(175.8)
Cash flows from financing activities:			
Proceeds from exercise of stock options	1.2	—	—
Excess tax benefit from exercise of stock options	0.2	—	—
Change in cash overdrafts	—	(3.6)	(0.8)
Net distributions to related parties	—	(32.2)	(6.5)
Cash received from BCO as a result of the Spin-off	—	50.0	—
Net cash provided by (used in) financing activities	1.4	14.2	(7.3)
Effect of exchange rate changes on cash	0.2	(0.1)	0.1
Cash and cash equivalents:			
Net increase	49.6	60.3	0.7
Balance at beginning of period	63.6	3.3	2.6
Balance at end of period	\$ 113.2	\$ 63.6	\$ 3.3
Supplemental cash flow disclosure of non-cash financing activities:			
Transfer of net assets and liabilities to BCO	\$ —	\$ (151.6)	\$ —
Deemed dividend to BCO at Spin-off (see Note 2)	26.8	31.8	—
Supplemental cash flow information:			
Cash paid for:			
Interest	\$ 0.3	\$ 0.6	\$ 0.4
Income taxes, net:			
Paid to related parties	—	—	16.9
Paid to taxing jurisdictions	6.5	1.0	1.5

Table of Contents**BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Note 1 - Description of Business, The Spin-off, Basis of Presentation and Significant Accounting Policies*****Description of Business***

Broadview Security, Inc. ("Broadview Security") changed its name from Brink's Home Security, Inc. on July 1, 2009. Broadview Security was incorporated in Delaware in 1983 and became a wholly-owned subsidiary of Brink's Home Security Holdings, Inc. ("Holdings"), a Virginia corporation, on October 31, 2008, upon completion of the spin-off transaction described below. Holdings and its consolidated subsidiaries, including Broadview Security, are collectively referred to in this report as the "Company" or "Holdings," unless otherwise indicated. Historically, the "Company" also refers to Broadview Security prior to the spin-off transaction.

The Company conducts business in one segment. Management evaluates performance and allocates resources based on cash flows and operating profit or loss of the Company as a whole. The Company markets, installs, services, and monitors security alarm systems for approximately 1.4 million customers in the United States and two Canadian provinces. Based on revenues, the Company believes it is the second largest provider of security alarm monitoring services for residential and commercial properties in North America. The Company's primary customers are residents of single-family homes, which comprise approximately 93% of the Company's subscriber base.

Subsequent Event

See Note 17 - Subsequent Events for discussion regarding the Company's merger agreement (the "Merger") with Tyco International Ltd ("Tyco").

The Spin-off

On September 12, 2008, the Board of Directors of The Brink's Company ("BCO") approved the separation of BCO into two independent, publicly traded companies through the spin-off of the Company to shareholders of BCO. To effect the separation, BCO transferred all outstanding shares of Brink's Home Security, Inc. through a series of transactions to Holdings, another wholly-owned subsidiary of BCO, which prior to these transactions had no independent assets or operations, and distributed the shares of Holdings to BCO's shareholders.

Distribution of Holdings' common stock to the stockholders of BCO occurred on October 31, 2008, at a ratio of one share of Holdings' common stock for each share of BCO's common stock held by each such holder as of the record date of October 21, 2008 ("the Spin-off"). Immediately following the Spin-off, Holdings' common stock began trading "regular way" on the New York Stock Exchange under the symbol "CFL," reflecting its corporate mission of creating "Customers For Life." See Note 2 - Transactions with Related Parties for a description of transition services and other agreements entered into between the Company and BCO.

Basis of Presentation

The accompanying consolidated financial statements include the balances and results of operations of the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

The consolidated financial statements for the periods preceding the Spin-off date have been prepared using the Company's historical results of operations and historical basis in the assets and liabilities. Prior to the Spin-off, the historical financial statements included allocations of certain BCO corporate expenses. Those expenses were allocated to the Company based on the most relevant allocation method for the service provided. Management believes such allocations were reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as an independent company for the periods prior to the Spin-off. The charges for these functions are included in selling, general, and administrative expenses in the consolidated statements of income.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The consolidated financial statements for the period preceding October 31, 2008, may not be indicative of the Company's future performance and may not reflect what its consolidated results of operations, financial position, and cash flows would have been had the Company operated as an independent company during the periods presented. To the extent that an asset, liability, revenue, or expense is directly associated with the Company, it is reflected in the accompanying consolidated financial statements. Refer to Note 2 – Transactions with Related Parties for further information regarding allocated expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with original maturities of three months or less.

Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses on the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience. The Company reviews its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

The Company retains ownership of most security systems installed at subscriber locations. Costs for those systems are capitalized and depreciated over the estimated lives of the assets. Costs capitalized as part of security systems include equipment and materials used in the installation process, direct labor required to install the equipment at subscriber sites, and other costs associated with the installation process. These other costs include the cost of vehicles used for installation purposes and the portion of telecommunication, facilities and administrative costs incurred primarily at the Company's field offices that are associated with the installation process. In 2009, direct labor and other costs represented approximately 67% of the amount capitalized, while equipment and materials represented approximately 33% of amount capitalized. The Company acquires ownership of some security system assets from third-party dealers. These security system assets are capitalized at the contractually determined purchase price.

Most security system assets are depreciated using the straight-line method over the 15 year estimated economic useful lives of the assets. At least annually, economic useful life of security systems are re-evaluated based upon ongoing analysis of all pertinent factors, including sites remaining in active service, historical disconnect and reconnect data, and assessment of the estimated technological life of the installed systems. The economic useful life of these security system assets is primarily based on the percentage of security system assets that remain in active status as the installed systems age over time. The percentage relationships have remained relatively stable over time. The Company does not expect the percentage relationships to change materially in the foreseeable future. In addition to regular straight-line depreciation expense each period, the Company charges to expense the carrying value of security systems estimated to be permanently disconnected based on each period's actual disconnect and historical reconnect experience.

Property and equipment are recorded at cost. Depreciation is calculated principally on the straight-line method based on the estimated useful lives of individual assets or classes of assets.

Leasehold improvements are recorded at cost. Amortization is calculated principally on the straight-line method over the lesser of the estimated useful life of the leasehold improvement or lease term. Renewal periods are included in the lease term when the renewal is determined to be reasonably assured.

<u>Estimated Useful Lives</u>	<u>Years</u>
Buildings	22.5 to 30
Building leasehold improvements	3 to 10
Security systems	3 to 15
Capitalized software	5
Other machinery and equipment	5 to 10

Expenditures for routine maintenance and repairs on property and equipment are charged to expense. Major renewals, betterments, and modifications are capitalized and amortized over the lesser of the remaining life of the asset or, if applicable, the lease term.

Table of Contents**BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Part of the costs related to the development or purchase of internal-use software is capitalized and amortized over the estimated useful life of the software. Costs that are capitalized include external direct costs of materials and services to develop or obtain the software, and internal costs, including compensation and employee benefits for employees directly associated with a software development project.

Revenue Recognition

Major components of revenue for the Company include revenues associated with contractual monitoring and service revenues, non-refundable installation fees including connection fees, additional equipment installation fees, sales of equipment without an extended contractual relationship, and other services.

The Company recognizes contractual monitoring and service revenue ratably as it provides services pursuant to the terms of subscriber contracts, which have contract prices that are fixed and determinable. The Company does not include sales taxes it collects from customers and remits to governmental authorities in revenues in its consolidated statements of income. The Company assesses a subscriber's ability to meet the contract terms, including payment terms, before entering into a contract. The Company generally defers revenues associated with installation fees and recognizes them using the straight-line method over the life of the customer relationship, which it estimates to be 15 years. The Company recognizes revenues associated with the sale of products for which there is no attached extended contractual relationship when the products are delivered. The Company recognizes revenues from services not covered by the terms of subscriber contracts as those services are rendered.

The Company immediately recognizes in earnings any unamortized balance of deferred revenue resulting from installation fees and the associated deferred costs in the event that the related security system asset is disconnected and considered for impairment, as described in "Deferred Subscriber Acquisition Costs" seen below. Deferred installation fees recognized at subscriber disconnect were \$21.7 million, \$22.8 million and \$17.8 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Deferred Subscriber Acquisition Costs

The Company incurs marketing and selling costs to obtain new subscribers. The Company defers certain subscriber acquisition costs, primarily incremental direct selling costs. Substantially all deferred subscriber acquisition costs consist of incremental sales compensation and fringe benefits, and referral fees paid which are directly related to successful subscriber acquisition efforts. The amount of commissions deferred is based on the percentage of successful sales to total sales efforts. The Company expenses all marketing costs and indirect selling costs as period costs.

For most installations, subscriber acquisition costs are less than deferred installation fees and are amortized using a straight-line method over the 15 year estimated life of the customer relationship. The Company bases the estimated life of the customer relationship on its ongoing annual analysis of subscriber and site retention. When a security system asset is identified for disconnection and possible impairment, the Company immediately recognizes any unamortized deferred subscriber acquisition costs related to that installation.

For subscribers acquired through the Company's new housing construction customer acquisition channel ("Builder"), formerly referred to as Brink's Home Technologies, there are no deferred revenues. The Company defers subscriber acquisition costs for these activities and amortizes these deferred costs using a straight-line method over the three-year initial monitoring contract term.

Accumulated amortization of deferred subscriber acquisition costs were \$39.3 million and \$45.1 million at December 31, 2009 and 2008 respectively. The Company recorded impairment charges for deferred subscriber acquisition costs totaling \$9.3 million, \$9.6 million, and \$7.7 million for the years ended December 31, 2009, 2008, and 2007, respectively. These charges are included in cost of revenues.

Impairment from Subscriber Disconnects

Long-lived assets, including security systems, are reviewed for impairment when events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Impairment is indicated when the estimated recoverable undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the actual net book value of the asset and its fair value.

Table of Contents**BRINK'S HOME SECURITY HOLDINGS, INC.****and subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The Company records impairment charges for security systems each period based on the carrying value of security systems estimated to be permanently disconnected during the period. The carrying value is the actual remaining net book value associated with the security systems estimated to be disconnected. The Company estimates the number of permanently disconnected security systems based on the actual disconnects during the period less an estimated number of those sites that will reconnect within a reasonable period in the future. The estimate of sites that will reconnect within a reasonable period in the future is analyzed on an ongoing basis based on historical data. For the sites that are expected to be reconnected within a reasonable period, the undiscounted cash flows expected to result from the reactivations exceed the carrying value of the security systems assets, and accordingly, no impairment is recorded for those assets. Should the estimate of future reconnection experience change, the Company's impairment charges would be affected.

The Company recorded impairment charges for disconnected security systems amounting to \$56.6 million, \$46.9 million, and \$42.6 million for the years ended December 31, 2009, 2008, and 2007, respectively. These charges are included in cost of revenues.

Advertising and Marketing Expense

The Company expenses advertising and marketing expenses when incurred. Television media production costs are expensed upon the first broadcast of the respective advertisement. Media broadcast advertising costs and printed materials and other advertising costs are expensed as incurred. These expenses totaled \$58.6 million, \$42.1 million, and \$41.7 million for the years ended December 31, 2009, 2008, and 2007, respectively, and are included in selling, general and administrative expenses.

Income Taxes

Deferred tax assets or liabilities are recorded to reflect the future tax consequences of temporary differences between the financial reporting basis of assets and liabilities and their tax basis at each year-end. These amounts are adjusted, as appropriate, to reflect enacted changes in tax rates expected to be in effect when the temporary differences reverse. Management periodically reviews recorded deferred tax assets to determine if it is more likely than not that they will be realized. If management determines it is more likely than not that a deferred tax asset will not be realized, an offsetting valuation allowance is recorded, reducing earnings and the deferred tax asset in that period. The Company was included in BCO's consolidated federal and state income tax returns prior to Spin-off and will file stand-alone returns for subsequent periods. However, the provision for income taxes in the consolidated financial statements prior to the Spin-off was determined as if the Company filed its own income tax returns separate and apart from BCO. See Note 6 – Income Taxes for further information on income taxes.

Foreign Currency Translation

The Company's consolidated financial statements are reported in U.S. dollars. A small portion of the Company's business is transacted in Canadian dollars. The Company's Canadian subsidiary maintains its records in Canadian dollars. The assets and liabilities are translated into U.S. dollars using rates of exchange at the balance sheet date and translation adjustments are recorded in other comprehensive income. Revenues and expenses are translated at average rates of exchange in effect during the year. Transaction gains and losses related to changes in the foreign currency are included in "Other" income or expense in the consolidated statements of income. See Note 8 – Other Operating Income, net for the amount of foreign currency transaction gain or loss.

Concentration of Credit Risks

Financial instruments which potentially subject the Company to concentrations of credit risks are principally cash and cash equivalents and accounts receivables. Cash and cash equivalents are held by major financial institutions. The large number and geographic diversity of its customers limits the Company's concentration of risk with respect to accounts receivable.

Accounting Correction

In the second quarter of 2008, an adjustment was made to correct amounts previously reported for prior annual periods for the write-off of deferred subscriber acquisition costs and deferred revenue associated with the termination of customer relationships. This adjustment resulted in an increase to operating profit of \$2.4 million as of the quarter ended June 30, 2008. However, through further analysis in the fourth quarter, additional adjustments were made. The cumulative adjustment from the accounting correction for the year ended 2008 resulted in year-to-date increased revenues of \$3.1 million, decreased impairment charges from subscriber disconnects, a component of cost of revenues, of \$0.5 million, and an increase to operating profit of \$3.6 million. These items were

not material to the Company's financial position or results of operations, and had no impact on cash flow.

Table of Contents**BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)*****Use of Estimates***

In accordance with U.S. GAAP, management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ materially from these estimates. The most significant estimates used by management are used in the processes of revenue recognition, security system capitalization, deferred subscriber acquisition costs, long-lived asset valuations, useful lives of security systems, the allowance for doubtful accounts, and income taxes.

New Accounting Standards

In September 2009, the Financial Accounting Standards Board ("FASB") issued authoritative guidance for the accounting for revenue arrangements with multiple deliverables. The guidance establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific evidence nor third-party evidence is available. The guidance requires arrangements under which multiple revenue generating activities to be performed be allocated at inception. The residual method under the existing accounting guidance has been eliminated. The guidance expands the disclosure requirements related to multiple-deliverable revenue arrangements. The guidance becomes effective for revenue arrangements entered into or materially modified beginning in fiscal 2011, with early adoption permitted. The guidance applies on a prospective basis unless the Company specifically elects to apply the guidance retrospectively. The Company does not expect that the guidance will have a material impact on its financial position, results of operations or cash flows.

Effective in the fourth quarter of 2009, the Company adopted an amendment issued by FASB related to the measurement of liabilities that are recognized or disclosed at fair value on a recurring basis. This standard clarifies how a company should measure the fair value of liabilities and restrictions that may prevent the transfer of a liability should not be considered as a factor in the measurement of liabilities within the scope of this standard. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position, or cash flow.

In June 2009, the FASB issued authoritative guidance which established the FASB Accounting Standards Codification as the source of authoritative U.S. GAAP recognized by the FASB to be applied to nongovernmental entities, and rules and interpretive releases of the Securities and Exchange Commission ("SEC") as authoritative U.S. GAAP for SEC registrants. The Codification supersedes all the existing non-SEC accounting and reporting standards upon its effective date and, subsequently, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. The guidance is not intended to change or alter existing U.S. GAAP. The guidance became effective for the Company in the third quarter of 2009. The guidance did not have an impact on the Company's financial position, results of operations or cash flows. All references to previous numbering of FASB Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts have been removed from the financial statements and accompanying footnotes.

Effective June 30, 2009, the Company adopted a newly issued accounting standard related to accounting for, and disclosure of, subsequent events in its consolidated financial statements. This standard provides the authoritative guidance for subsequent events that was previously addressed only in United States auditing standards. This standard establishes general accounting for, and disclosure of, events that occur after the balance sheet date, but before financial statements are issued or are available to be issued and requires the Company to disclose the date through which it has evaluated subsequent events and whether that was the date the financial statements were issued or available to be issued. This standard does not apply to subsequent events or transactions that are within the scope of other applicable U.S. GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. The adoption of this standard in the second quarter of 2009 did not have a material impact on the Company's consolidated financial statements.

In June 2008, the FASB issued guidance that related to unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid). These awards are participating securities and should be included in the computation of earnings per share under the two-class method. The adoption of this guidance in the first quarter of 2009 did not have a material impact on the calculation or reporting of the Company's earnings per share.

In December 2007, the FASB issued guidance that established requirements for an acquirer to record assets acquired, liabilities assumed, and any related noncontrolling interest related to the acquisition of a controlled subsidiary, measured at fair value as of the acquisition date. The adoption of this guidance in the first quarter of 2009 did not have a material effect on the Company's results of

operations and financial position.

Table of Contents**BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In December 2007, the FASB issued guidance to establish accounting and reporting standards for the noncontrolling interest in a subsidiary, and for the deconsolidation of a subsidiary. Specifically, this guidance clarifies that noncontrolling interests in a subsidiary should be reported as equity in the consolidated financial statements. The adoption of this guidance in the first quarter of 2009 did not have a material effect on the Company's results of operations and financial position.

Note 2 – Transactions with Related Parties***Allocation of BCO's General and Administrative Corporate Expenses***

For periods prior to the Spin-off, the accompanying consolidated financial statements include allocations of certain BCO corporate expenses for services provided to the Company including certain treasury, accounting, tax, legal, internal audit, human resources, investor relations, general management, real estate, insurance, risk management, and other functions, such as board of directors and other centrally managed employee benefit arrangements. The Company recorded allocated costs of \$4.1 million and \$8.0 million for 2008 and 2007, respectively, within selling, general, and administrative expenses.

Receivable from and Payable to Related Parties

Prior to the Spin-off, BCO provided the Company with funds for its operating cash when needed. Any excess funds were advanced to BCO. Intercompany accounts were maintained for such borrowings that occurred between the Company and its parent. For purposes of the statements of cash flows, the Company reflected intercompany activity with BCO as a financing activity. Interest expense under this arrangement was \$0.2 million and \$0.7 million for 2008 and 2007, respectively. Interest expense incurred by the Company associated with its payable to related parties other than BCO was \$0.1 million and \$0.3 million for 2008 and 2007, respectively. There was no interest expense of this nature recorded for 2009.

Non-cash Transactions

At Spin-off, the Company transferred to BCO net assets of a wholly-owned subsidiary in the amount of \$139.2 million. Additionally, the Company transferred other operating assets and liabilities in the net amount of \$12.4 million. These two items comprise the \$151.6 million non-cash transfer of net assets and liabilities to BCO at the Spin-off. The net effect of the \$50.0 million cash received from BCO and the elimination of the net intercompany payables resulted in a deemed dividend to BCO in the amount of \$31.8 million, a non-cash transaction, reducing retained earnings at the Spin-off date. As a result of a tax transaction described below and other tax adjustments, the deemed non-cash dividend was increased by \$26.8 in the last half of 2009.

Allocation of Income Tax Expense

For the periods prior to the Spin-off, the Company and its U.S. subsidiaries were included in the consolidated U.S. Federal income tax return filed by BCO. BCO's consolidated tax provision and actual cash payments for U.S. federal and state income taxes were allocated to the Company in accordance with BCO's tax allocation policy.

In accordance with the Tax Matters Agreement between the Company and BCO (the "TMA"), BCO is, in general, responsible for all taxes reported on any joint return through the date of Spin-off, which may include the Company for periods prior to the Spin-off. In September 2009, pursuant to the TMA, BCO elected several tax accounting method changes related to the Company's operations, primarily involving the timing of deductions for deferred installation fees and deferred monitoring revenue. These elections were implemented in BCO's U.S. Federal 2008 consolidated tax return which includes operating results of the Company's domestic U.S. subsidiary for the period January 1, 2008 through October 31, 2008. These elections decreased the carrying value of certain deferred tax assets and increased the carrying value of certain deferred tax liabilities which were allocated to the Company at the Spin-off and have subsequently been carried on the Company's consolidated balance sheet. As a result of these elections made by BCO, the Company has decreased its current deferred tax assets by \$16.5 million and increased its noncurrent deferred tax liabilities by \$10.8 million, with an offsetting reduction in retained earnings to increase the amount of the deemed dividend recorded as a non-cash transaction related to the Spin-off as of December 31, 2009.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Brand License Agreement

Historically, the Company had a brand license agreement with a subsidiary of BCO that allowed the Company to use BCO's trademarks for certain products and services for a royalty fee based on approximately 7.0% of revenues. Since the Spin-off, the royalty rate the Company paid to BCO for the use of certain trademarks has decreased to approximately 1.25% of revenues pursuant to the Brand Licensing Agreement between BCO and the Company. The royalty rate will continue to be approximately 1.25% of revenues until the earlier of October 31, 2011, or when the Company ceases active use of the trademarks. The Company announced its new brand name, Broadview Security, on June 30, 2009 and is in the process of transitioning away from its heritage name. Royalty expense was \$6.9 million, \$31.5 million, and \$33.2 million for 2009, 2008, and 2007, respectively, and is included in cost of revenues.

Transition Services and Other Agreements Related to the Spin-off from BCO

Following the Spin-off, the Company has operated independently from BCO, and has no ownership interest in BCO. As a part of the Spin-off, the Company entered into certain agreements, including the Separation and Distribution Agreement, the TMA, the Employee Matters Agreement, the Brand Licensing Agreement, and the Transition Services Agreement (the "TSA"). In order to govern the ongoing relationships between the Company and BCO after the Spin-off and to provide mechanisms for an orderly transition, the Company and BCO agreed to certain non-compete and non-solicitation arrangements. Also, the Company and BCO agreed to indemnify each other against certain liabilities arising from their respective businesses. The specified services that the Company can receive, as requested from BCO, include tax, legal, accounting, treasury, investor relations, insurance and risk management, and human resources. The services are paid for by the Company, as set forth in the TSA. The TSA provides for terms ranging from 6 to 18 months for such services. The Company incurred less than \$0.1 million in expense for services provided by BCO pursuant to the TSA for each of the years ended December 31, 2009 and 2008.

Note 3 - Accounts Receivable

The following table presents the Company's accounts receivable and allowance for doubtful accounts:

<i>(in millions)</i>	December 31,	
	2009	2008
Trade	\$42.5	\$40.5
Other	—	0.7
Total accounts receivable	42.5	41.2
Allowance for doubtful accounts	(6.0)	(4.9)
Accounts receivable, net	<u>\$36.5</u>	<u>\$36.3</u>

<i>(in millions)</i>	December 31,		
	2009	2008	2007
Allowance for doubtful accounts:			
Beginning of the year	\$ 4.9	\$ 4.4	\$ 4.7
Provision for uncollectable accounts receivable	12.1	11.6	10.6
Write offs less recoveries	(11.0)	(11.1)	(10.9)
End of the year	<u>\$ 6.0</u>	<u>\$ 4.9</u>	<u>\$ 4.4</u>

Note 4 - Property and Equipment, net

The following table presents the Company's property and equipment, net:

<i>(in millions)</i>	December 31,	
	2009	2008
Land	\$ 2.5	\$ 2.5
Buildings	15.5	15.5
Leasehold improvements	6.1	3.4

Security systems	1,012.5	925.6
Capitalized software	21.8	24.2
Computers and office equipment	51.9	43.9
	<u>1,110.3</u>	<u>1,015.1</u>
Accumulated depreciation and amortization	(400.2)	(355.8)
Property and equipment, net	<u>\$ 710.1</u>	<u>\$ 659.3</u>

51

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents depreciation and amortization expense:

	December 31,		
	2009	2008	2007
Property and equipment	\$79.2	\$72.8	\$65.6
Deferred subscriber acquisition costs	12.0	12.5	12.1
Total depreciation and amortization	<u>\$91.2</u>	<u>\$85.3</u>	<u>\$77.7</u>

Note 5 - Other Accrued Liabilities

The following table presents the Company's other accrued liabilities:

	December 31,	
	2009	2008
Taxes, except income taxes	\$ 4.5	\$ 4.5
Workers' compensation and other claims	2.6	4.6
Customer deposits	5.8	6.1
Legal accrual	3.5	1.1
Insurance reserve	2.2	2.0
Other	1.8	0.9
Other accrued liabilities	<u>\$20.4</u>	<u>\$19.2</u>

Note 6 - Income Taxes

Prior to the Spin-off, in most states the Company had been included in BCO's consolidated federal and state income tax returns. However, the provision for income taxes in the Company's consolidated financial statements for all periods prior to the Spin-off was determined as if the Company filed its own income tax returns separate and apart from BCO. Subsequent to the Spin-off, the Company will file stand-alone federal and state income tax returns.

The Company entered into the TMA with BCO, which governs BCO's and the Company's respective rights, responsibilities and obligations with respect to tax liabilities and benefits, the preparation and filing of tax returns, the control of audits, and other tax matters. The TMA generally allocates responsibility for consolidated tax liabilities to BCO for periods prior to the Spin-off and for stand-alone tax liabilities to the Company both prior to and subsequent to the Spin-off (see Note 2 – Transactions with Related Parties).

The TMA provides that the Company is required to indemnify BCO and its affiliates against all tax-related liabilities caused by the failure of the Spin-off to qualify for tax-free treatment for United States federal income tax purposes to the extent these liabilities arise as a result of any action taken by Holdings or any of Holdings' subsidiaries following the Spin-off or otherwise result from any breach of any covenant under the TMA or any other agreement entered into by the Company in connection with the Spin-off. Though valid as between the parties, the TMA is not binding on the Internal Revenue Service. In connection with the Merger, the Company and Tyco entered into an agreement with BCO whereby BCO consented to the assignment of the TMA to Tyco.

The following table presents a summary of income taxes:

	December 31,		
	2009	2008	2007
Net income before taxes			
U.S.	\$ 98.7	\$93.9	\$70.4
Foreign	2.6	(0.5)	1.6
	<u>\$101.3</u>	<u>\$93.4</u>	<u>\$72.0</u>
Income tax expense (benefit) Current			
U.S. Federal	\$ (17.8)	\$ (7.8)	\$16.5
State	1.4	3.5	1.7

	\$ (16.4)	\$ (4.3)	\$ 18.2
Deferred			
U.S. Federal	\$ 52.8	\$ 39.5	\$ 7.9
State	2.2	1.1	1.7
	<u>\$ 55.0</u>	<u>\$ 40.6</u>	<u>\$ 9.6</u>
	<u>\$ 38.6</u>	<u>\$ 36.3</u>	<u>\$ 27.8</u>
Comprehensive provision for income taxes allocable to			
Net income	\$ 38.6	\$ 36.3	\$ 27.8
Shareholders' equity	—	—	(4.3)
	<u>\$ 38.6</u>	<u>\$ 36.3</u>	<u>\$ 23.5</u>

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Rate Reconciliation

The following table reconciles the difference between the actual tax provision and the amounts obtained by applying the statutory U.S. Federal income tax rate of 35% in each year to income before income taxes.

<i>(in millions)</i>	December 31,		
	2009	2008	2007
Income tax expense computed at 35% statutory rate	\$35.4	\$32.8	\$25.2
Increases in taxes due to:			
State income taxes, net	2.2	3.0	2.2
Other	1.0	0.5	0.4
Actual income tax expense	<u>\$38.6</u>	<u>\$36.3</u>	<u>\$27.8</u>

The components of the net deferred tax assets and (liabilities) are as follows:

<i>(in millions)</i>	December 31,	
	2009	2008
Deferred tax assets		
Deferred revenue	\$ 53.5	\$ 85.0
Workers' compensation and other claims	1.6	1.8
Pension and other post-retirement benefits	—	0.2
Other assets and liabilities	15.8	13.7
Net operating loss carry forwards	1.6	2.3
Tax credits	1.5	0.3
Subtotal	<u>74.0</u>	<u>103.3</u>
Total deferred tax assets	<u>\$ 74.0</u>	<u>\$ 103.3</u>
Deferred tax liabilities		
Property and equipment, net	\$ 183.4	\$ 154.0
Prepaid assets	29.1	28.5
Prepaid insurance	1.0	—
Other assets and miscellaneous	—	0.8
Total deferred tax liabilities	<u>\$ 213.5</u>	<u>\$ 183.3</u>
Net deferred tax liabilities	<u>\$(139.5)</u>	<u>\$ (80.0)</u>
Included in:		
Current assets	\$ 9.9	\$ 24.8
Noncurrent liabilities	(149.4)	(104.8)
Net deferred tax liabilities	<u>\$(139.5)</u>	<u>\$ (80.0)</u>

Valuation allowances

A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. Based on the Company's historical and expected future taxable earnings, and consideration of available tax-planning strategies, management believes it is more likely than not that the Company will realize the benefit of the existing deferred tax assets, net of valuation allowances, at December 31, 2009.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(in millions)	December 31,		
	2009	2008	2007
Valuation allowances:			
Beginning of year	\$—	\$ 0.4	\$ 0.9
Changes in deferred taxes charged to net income	—	(0.2)	(0.6)
Foreign currency exchange effects	—	(0.2)	0.1
End of year	<u>\$—</u>	<u>\$—</u>	<u>\$ 0.4</u>

The above valuation allowance for deferred tax assets was related to the Company's Canadian operations. In 2008, the Company determined that it was more likely than not that the benefit of these deferred tax assets would be realized and, thus, adjusted the valuation allowance accordingly. In 2009, it is still more likely than not that the benefit of these deferred tax assets will be realized.

Undistributed Foreign Earnings

As of December 31, 2009, the Company has not recorded U.S. Federal deferred income taxes, on the excess of the tax basis over the financial statement carrying amount of its investment in the Company's Canadian operations.

Net Operating Losses

The gross amount of Canadian net operating loss carryforwards as of December 31, 2009 was \$4.3 million. The tax benefit of the Canadian net operating loss carryforwards as of December 31, 2009 was \$1.4 million and expires in years 2027 — 2028.

Uncertain Tax Positions

The Company adopted the recognition, measurement, and disclosure guidance for the accounting of uncertain income tax positions on January 1, 2007 which clarified the accounting for derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This guidance also provided a minimum recognition threshold for a tax position before being recognized in the financial statements.

A reconciliation of the beginning and ending amount of unrecognized tax benefits follows:

(in millions)	Amount
Balance at January 1, 2009	\$ 4.6
Reclassification of deferred tax asset	0.8
Increases related to prior year tax positions	0.3
Increases related to current year tax positions	0.2
Lapse of statute	(0.5)
Balance at December 31, 2009	<u>\$ 5.4</u>

The total amount of unrecognized tax benefits (excluding penalty accruals) at December 31, 2009 was \$5.4 million. \$4.6 million of the unrecognized tax benefits at December 31, 2009, if recognized, would impact the effective tax rate.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. Interest and penalties included in income tax expense amounted to \$0.1 million in 2009, \$0.1 million in 2008, and \$0.3 million in 2007. The Company had accrued penalties and interest of \$1.0 million at December 31, 2009 and \$1.1 million at December 31, 2008.

The Company files income tax returns in various U.S. states and Canada. The Company was included in BCO's U.S. Federal consolidated income tax returns prior to the Spin-off. With few exceptions, as of December 31, 2009, the Company was no longer subject to U.S. Federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2003. The Company does not anticipate that the total amount of unrecognized tax benefits will significantly increase or decrease during the year ending December 31, 2010.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 7 – Operating Leases

The Company leases facilities, vehicles, computers, and other equipment under long-term operating leases with varying terms. Most of the operating leases contain renewal and/or purchase options. The Company from time to time expects that, in the normal course of business, the majority of operating leases will be renewed or replaced by other leases.

As of December 31, 2009, future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year are included below.

<u>(in millions)</u>	<u>Facilities</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Total</u>
2010	\$ 4.5	\$ 4.0	\$ 0.2	\$ 8.7
2011	3.9	3.2	0.2	7.3
2012	3.3	1.8	0.1	5.2
2013	2.6	0.8	—	3.4
2014	1.3	—	—	1.3
Later years	0.2	—	—	0.2
	<u>\$ 15.8</u>	<u>\$ 9.8</u>	<u>\$ 0.5</u>	<u>\$26.1</u>

The table above includes lease payments for the initial accounting lease term and all renewal periods for most vehicles under operating leases used in the Company's operations. If the Company were to not renew these leases, it would be subject to a residual value guarantee. The Company's maximum residual value guarantee is \$6.7 million at December 31, 2009. If the Company continues to renew the leases and pay all lease payments for the vehicles that have been included in the above table, this residual value guarantee will reduce to zero at the end of the final renewal period.

Net rent expense amounted to \$9.5 million in 2009, \$10.8 million in 2008, and \$11.2 million in 2007.

Note 8 – Other Operating Income, net

<u>(in millions)</u>	<u>December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Royalty income from a third party	\$—	\$ 1.5	\$1.4
Foreign currency transaction gains (losses), net	1.5	(1.9)	0.9
Hurricane Katrina insurance settlement gains	—	—	2.3
Other	—	—	0.2
Total	<u>\$ 1.5</u>	<u>\$ (0.4)</u>	<u>\$4.8</u>

Note 9 – Capital Stock

Pursuant to the Spin-off, two million shares outstanding of \$1 par value common stock in the Company were distributed as a stock dividend to BCO, the Company's then sole shareholder. Holdings was established with authorized capital stock consisting of 170 million shares of common stock, no par value, and two million shares of preferred stock, \$10.00 par value per share. On the Spin-off date of October 31, 2008, BCO contributed the stock of Brink's Home Security to Holdings, and then distributed approximately 45.8 million no par shares of Holdings as a stock dividend on BCO's common stock to all BCO's shareholders of record as of October 21, 2008.

Zero shares of preferred stock and 45,837,520 shares of common stock in Holdings were issued and outstanding as of December 31, 2009.

Note 10 – Share-Based Compensation Plans

The Company's share-based compensation plans are designed to encourage employees and non-employee directors to remain with the Company and to align compensation incentives with interests of the Company's shareholders. The plans are administered by the compensation committee, which is comprised of four Board of Director members, who may issue rules and regulations for

administration of the plan.

55

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Effective January 1, 2006, the Company utilized the modified prospective transition method to account for its shared-based payment awards. Under this transition method the compensation cost recognized beginning January 1, 2006 includes compensation cost for (i) all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the estimated grant-date fair value and (ii) all share-based payments granted subsequent to December 31, 2005 based on the estimated grant-date fair value. Compensation cost is generally recognized ratably over the requisite service period or period to retirement eligibility, if shorter.

Share-based Compensation Expense

Total share-based compensation expense recognized in 2009, 2008, and 2007 was \$4.4 million, \$2.7 million and \$1.9 million, respectively. The Company has recognized a related tax benefit associated with its share-based compensation arrangements during 2009 of \$0.2 million. No excess tax benefit was recognized in prior years. All share-based compensation expense is included in selling, general and administrative expenses for all periods. Compensation expense is recognized net of estimated forfeitures. Forfeitures are estimated based on the historical termination behaviors and actual forfeitures.

Unrecognized compensation for outstanding unvested share-based awards of \$2.3 million at December 31, 2009 will be recognized as compensation expense over a weighted average remaining period of 1.7 years.

Award Modification and Replacement at Spin-off

In connection with the Spin-off, BCO's share-based awards held by Company employees and newly appointed non-employee directors were converted to and replaced with, respectively, equivalent share-based awards of Holdings. The conversion rate was the ratio of the Company's fair market value of stock to the fair market value of BCO stock on the date of conversion. The number of shares and the exercise price were equitably adjusted to preserve the intrinsic value of the award as of immediately prior to the Spin-off. The conversion was accounted for as a modification and resulted in a \$0.6 million aggregate increase in the fair value of option awards held by 18 employees and non-employee directors. To effect comparability across periods, the number of award units, per share value, and exercise price information for periods prior to the Spin-off were adjusted by the conversion ratio.

Share-based Plans

2008 Equity Incentive Plan ("2008 Equity Plan") permits grants of stock options, restricted stock, stock appreciation rights ("SARs"), performance stock and other share-based awards to employees. In addition to the awards converted in the Spin-off, 1,000,000 shares have been authorized under the 2008 Plan. Any shares covered by an award other than options, SARs, and converted awards are counted against this limit as two shares for every one share awarded under these plans. No awards will be granted after the termination of the plans, the tenth year after the Spin-off, unless extended by shareholder approval. The maximum contractual term of an option or SAR is six years from the grant date. The 2008 Plan awards may be subject to requisite service periods as determined by the compensation committee at the time of the grant. Through December 31, 2009, only stock options have been granted under the 2008 Plan.

The Company provides share-based awards to directors through the Non-Employee Directors' Equity Plan (the "Directors' Plan"). This plan permits grants of stock options, restricted stock, SARs, and other share based awards to members of the Board of Directors who are not full or part time officers or employees of the Company. In addition to the awards replaced in the Spin-off, 500,000 shares have been authorized under the Directors' Plan. Any shares covered by an award other than options, SARs, and replaced awards are counted against this limit as two shares for every one share awarded under these plans. No awards will be granted after the termination of the plans, the tenth year after the Spin-off, unless extended by shareholder approval. The maximum contractual term of an option or SAR is six years from the grant date. Deferred and restricted share units do not expire. The Directors' Plan may be subject to requisite service periods as determined by the compensation committee at the time of the grant. As of December 31, 2009, only stock options and restricted stock units have been granted under the plan.

Each non-employee director under the Directors' Stock Accumulation Plan ("DSAP") is allocated DSAP units equal to 50% of the annual retainer. Awards for up to 100,000 shares are authorized under the DSAP. No awards will be granted after the termination of the plans, the tenth year after the Spin-off, unless extended by shareholder approval. The number of units granted annually is based on the average of the high and low share price of the Company's common stock on the grant date.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Under the Key Employees' Deferred Compensation Program ("Key Employee Program"), certain employees may defer a portion of their compensation including performance bonuses. The Company provides incentive for participation by matching a portion of employees' contributions. Shares issuable under the Key Employee Program are unlimited. No awards will be granted after the termination of the plans, the tenth year after the Spin-off, unless extended by shareholder approval. Employees become 50% vested in the match portion after three years of participation in the program, 75% vested after four years and fully vested after five years. The employee deferrals, matching contributions, and dividend equivalents are subsequently converted into units based on the average of the high and low price of the Company's common stock in the deferral period. Units credited to the employee's account will be distributed subsequent to termination of employment or upon termination of the Program.

All distributions under the plans will be settled with new shares of the Company's common stock.

Share Unit Activity

The distribution of restricted stock units and other share units will be such that one unit equals one share of the Company's common stock.

The fair value of restricted stock units and other share unit awards is determined based on the stock price on the date of grant. For non-vested share units, the fair value of the award on the grant date is amortized to expense over the period of vesting, typically one year. Share units issued with no substantive vesting requirement are expensed immediately.

The table below summarizes the activity for non-vested share units awarded to directors under the Directors' Plan and DSAP for the year ended December 31, 2009.

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Non-vested as of January 1, 2009	40	\$ 19.10	\$ 0.9
Granted	19	28.34	
Vested	(40)	19.10	
Non-vested as of December 31, 2009	<u>19</u>	<u>\$ 28.34</u>	\$ 0.6
Total outstanding director share units at December 31, 2009	30	\$ 28.35	\$ 1.0
Outstanding vested director share units at December 31, 2009	11	\$ 28.37	\$ 0.3

The aggregate intrinsic value of director share units converted to shares of the Company's stock was \$1.0 million as of the date that each unit converted. The aggregate fair value of share units that vested during 2009 was \$0.8 million. Directors were awarded 19,000 and 40,000 share units in 2009 and 2008, respectively. The weighted average fair value of units granted to directors was \$28.34 and \$19.10 in 2009 and 2008, respectively.

The table below summarizes the activity for share units awarded under the Key Employee Deferred Compensation Program for the year ended December 31, 2009.

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2008 ^(a)	42	\$ 21.64	\$ 0.9
Granted	38	25.71	
Forfeited	(1)	24.23	
Outstanding as of December 31, 2009 ^(a)	<u>79</u>	<u>\$ 23.58</u>	\$ 2.6
Outstanding vested share units at December 31, 2009 ^(a)	78	\$ 23.53	\$ 2.5

(a) The weighted average grant date fair value of units outstanding includes the replacement units issued at Spin-off valued on the

date of the Spin-off.

While under the BCO's Key Employees' Deferred Compensation Program, participants were permitted to elect to receive a one-time lump-sum distribution of vested share units. Accordingly, each participant who made this election by December 31, 2007 received his or her distribution on February 15, 2008 in the form of BCO's common stock. Any undistributed portion of a participant's account remained credited to his or her account and was converted to the Company's program at the Spin-off date. The aggregate intrinsic value of the share units converted to shares of BCO's common stock on February 15, 2008 was \$8.8 million.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Option Activity

The table below summarizes the option activity in all plans for the year ended December 31, 2009.

	Shares (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2008	1,150	\$ 24.42		
Granted	325	21.19		
Exercised	(45)	25.73		
Forfeited	(32)	23.20		
Outstanding at December 31, 2009	<u>1,398</u>	<u>\$ 23.66</u>		
Options of the Company, as of December 31, 2009:				
Exercisable	561	\$ 25.00	3.3	\$ 4.3
Expected to vest in future periods ^(a)	783	\$ 22.91	4.8	\$ 7.6

(a) An estimate of expected forfeitures is included in the estimated options expected to vest in future periods.

Total fair value of options that became vested during the year ended December 31, 2009 was \$1.7 million.

The intrinsic value of a stock option is the difference between the market price of the shares underlying the option and the exercise price of the option. The total intrinsic value of options exercised by the Company's employees for the years ended December 31, 2009, 2008, and 2007 was \$0.3 million, \$1.6 million and \$3.3 million, respectively.

Method and Assumptions Used to Estimate Fair Value of Options

All share-based payments to employees, including grants of stock options, are recognized in the financial statements based on their fair value. The fair value of each stock option award on the grant date was estimated using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield, expected stock price volatility, weighted-average risk-free interest rate, and weighted average expected life of the options.

The Company's expected volatility assumption used in the Black-Scholes option-pricing model was based on peer group volatility. The expected life assumption is based on the simplified method since historical share option exercise experience of the Company does not provide a reasonable basis upon which to estimate expected term. The simplified method is based on the vesting period and contractual term for each vesting tranche of awards. The mid-point between the vesting date and the expiration date is used as the expected term under this method. The risk-free interest rate used in the Black-Scholes model is based on the implied yield curve available on U.S. Treasury zero-coupon issues at the date of grant with a remaining term equal to the Company's expected term assumption. The Company has not declared or paid a cash dividend and has no current plans to pay cash dividends.

The weighted average assumptions in the Black-Scholes option pricing model are shown below for the year ended December 31, 2007 and the period from January to October 2008, prior to the Spin-off, and the period from November to December 2008 and the year ended December 31, 2009, subsequent to the Spin-off.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Options Granted			
	2009	Nov. – Dec. 2008	Jan. – Oct. 2008 (c)	2007 (c)
Number of shares underlying options, in thousands	325	282	263	245
Weighted-average exercise price per share	\$21.19	\$ 19.06	\$ 28.79	\$ 28.58
Assumptions used to estimate fair value:				
Expected dividend yield:				
Weighted-average	n/a ^(a)	n/a ^(a)	0.60%	0.60%
Range	n/a ^(a)	n/a ^(a)	0.60%	0.60%
Expected volatility:				
Weighted-average	34% ^(b)	34% ^(b)	26%	26%
Range	34% ^(b)	34% ^(b)	26%	26%
Risk-free interest rate:				
Weighted-average	1.8%	1.4%	2.7%	4.9%
Range	1.8%	1.4%	2.4%-3.0%	4.9%
Expected term in years:				
Weighted-average	4.5	4.5	3.2	3.2
Range	3-6	3-6	2.1-4.1	2.1-4.1
Weighted-average fair value estimates at grant date:				
In millions	\$ 2.2	\$ 1.6	\$ 1.6	\$ 1.6
Fair value per share	\$ 6.75	\$ 5.74	\$ 5.92	\$ 6.58

- (a) Options granted by the Company assumed a zero expected dividend yield as the Company has not declared any dividends as of December 31, 2009.
- (b) Expected stock price volatility for stock options granted subsequent to the Spin-off was calculated based on the historical volatility from the stock of a composite of peers, derived from exchange traded options on that same composite of peers. The average expected life was based on the simplified method under SEC Staff Accounting Bulletin 110, *Share-based Payment*, for newly public companies. The risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant.
- (c) The weighted average grant date fair value and the number of share units granted have been adjusted by the conversion ratio at Spin-off.

Note 11 – 401K Plan

In connection with the Spin-off on October 31, 2008, BCO transferred to the Company's 401(k) plan an amount equal to the account balances of the Company's employees and former employees in the BCO 401(k) plan. Each of the Company's participating employees was credited for all service accrued with BCO prior to such transfer for all purposes under the Company's 401(k) plan.

The Company's 401(k) plan allows eligible employees to contribute a portion of their pretax income in accordance with specified guidelines. The Company matches \$1.25 for each \$1.00 an employee contributes to the plan up to 5% of salary. The Company recognized costs of \$7.2 million, \$6.0 million, and \$6.2 million for the years ended December 31, 2009, 2008, and 2007, respectively, related to the contributions made by the Company to the BCO and the Company's 401(k) plans.

As of the Spin-off date, BCO retained all assets and liabilities arising out of or relating to the qualified and non-qualified BCO defined benefit pension plans, and will make required payments under such plans to the Company's current or former employees. For purposes of the vesting provisions of the BCO defined benefit pension plans, Company employees continued to be treated as employees of BCO while employed by the Company following the Spin-off.

Note 12 – Credit Agreement

On October 21, 2008, the Company entered into a credit agreement (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") that provides for a four-year unsecured \$75 million revolving credit facility with a syndicate of lenders led by JPMorgan Chase Bank, N.A. as the administrative agent ("Credit Facility"). The Company has the option, under certain conditions, to increase the commitment by up to \$50 million, not to exceed \$125 million in the aggregate. The Credit Facility is

available for general corporate purposes, including the issuance of letters of credit of up to \$15 million.

The Credit Agreement includes a requirement that the Company maintain: (i) a Leverage Ratio (as defined in the Credit Agreement) of no more than 2.5 to 1.0 as of the last day of each fiscal quarter, measured on a trailing four-quarters basis, and (ii) a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of at least 2.0 to 1.0 for the same trailing four quarter period. At December 31, 2009, the Company is in compliance with the requirements of the Credit Agreement.

The pricing on the Credit Facility is based on, generally at the Company's discretion, the greater of the Prime Rate or the Federal Funds Rate plus one-half of one percent, or LIBOR, plus an adjustment based on the Company's leverage ratio, as defined in the Credit Agreement. The Company is charged a commitment fee between 0.25% and 0.35% on the unused portion of the facility, tiered based on the Company's leverage ratio.

As of December 31, 2009, no funds have been drawn under the Credit Facility, but the Company has used the Credit Facility to issue letters of credit totaling \$4.3 million.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In order for us to comply with certain operating covenants included in the Merger Agreement, and as contemplated by the Merger Agreement, we entered into an amendment and received a limited consent and waiver to the Credit Agreement.

Note 13 – Commitments and Contingencies*Joint and Several Liability with The Brink's Company*

Under the *Coal Industry Retiree Health Benefit Act of 1992*, as amended (the "Health Benefit Act"), BCO and its majority-owned subsidiaries at July 20, 1992, including certain material subsidiaries of the Company, are jointly and severally liable with certain of BCO's other current and former subsidiaries for health care coverage obligations provided for by the Health Benefit Act. A Voluntary Employees' Beneficiary Associate trust has been established by BCO to pay for these liabilities, although the trust may not have sufficient funds to satisfy the obligations. The unfunded portion of these obligations is estimated to be approximately \$250.0 million as of December 31, 2009. The Company entered into an agreement with BCO in which BCO agreed to indemnify the Company for any and all liabilities and expenses related to BCO's former coal operations, including any health care coverage obligations.

Legal Proceedings

The Company is involved in various lawsuits and claims in the ordinary course of business. The Company has recorded accruals for losses that are considered probable and reasonably estimable associated with these matters. The Company believes that the ultimate disposition of these matters will not have a material adverse effect on its liquidity or financial position; however, losses, or changes in estimates of losses, from these matters may result in income or expense in any one accounting period that is material in comparison to the earnings of that period.

In April 2009, a Michigan state circuit court jury rendered a verdict against the Company for \$4.2 million pertaining to claims made by a terminated employee of the Company. On July 7, 2009, the trial court entered judgment in favor of the plaintiff for \$4.7 million. This amount included approximately \$0.5 million in pre-judgment interest and attorney fees. After post-trial proceedings, on September 25, 2009, the trial court entered a revised judgment in the amount of \$3.5 million. The amount of the revised judgment has been included in other accrued liabilities as of December 31, 2009. On October 16, 2009, the Company filed an appeal seeking reversal of the judgment or in the alternative a new trial, based on various alleged points of error by the trial court. In connection with the appeal, the trial court ordered a stay of execution on the judgment which requires the Company to post an appeal bond. The Company has filed its initial appeal brief but no date has yet been set for oral argument.

Note 14 – Geographic Information

Revenues by country for the years ended December 31, 2009, 2008, and 2007 were as follows:

(in millions)	December 31,		
	2009	2008	2007
United States	\$557.5	\$524.3	\$477.1
Canada	7.6	8.0	7.3
Total	<u>\$565.1</u>	<u>\$532.3</u>	<u>\$484.4</u>

No single customer represents more than 10% of total revenue.

As of December 31, 2009 and 2008, long-lived assets, consisting of property and equipment, net, and deferred subscriber acquisition costs, net, by country were as follows:

(in millions)	December, 31	
	2009	2008
United States	\$780.9	\$730.9
Canada	13.7	12.1
Total	<u>\$794.6</u>	<u>\$743.0</u>

Net liabilities related to the Canadian operations totaled \$0.6 million as of December 31, 2009 and \$2.2 million at December 31, 2008.

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 15 – Earnings per Share

For periods after the Spin-off, basic earnings per share ("EPS") was computed by dividing net income by the weighted average number of common shares outstanding for December 31, 2009. Diluted EPS was calculated in a similar manner but included the dilutive effect of stock options and restricted stock units outstanding during the year. For the year ended December 31, 2009, 0.5 million anti-dilutive shares were excluded from the calculation of diluted earnings per share.

For 2008, basic earnings per share is computed on a pro forma basis by dividing net income by the weighted average number of common shares outstanding during the two month post Spin-off period beginning November 1, 2008 and ending December 31, 2008. Diluted EPS is calculated in a similar manner, but includes the dilutive effect of actual stock options, restricted stock units, and other equity-based awards outstanding as of December 31, 2008. To the extent these securities are anti-dilutive, they are excluded from the calculation of diluted earnings per share. The dilutive impact for 2008 was not material.

Prior to the Spin-off, no common stock of Holdings and none of Holdings' equity awards were outstanding for those periods. Basic and diluted earnings per share for the years ended December 31, 2007 were computed on a pro forma basis using the average number of shares of the Company's common stock outstanding from November 1, 2008 to December 31, 2008. The number of diluted shares used in the calculation for 2007 is based on the pro forma number of shares of the Company's common stock outstanding plus the estimated potential dilution that could have occurred if options granted under the Company's equity-based compensation arrangements were exercised or converted into the Company's common stock.

(in millions, except EPS)

	December 31.		
	2009	2008	2007
Earnings:			
Net income	<u>\$62.7</u>	<u>\$57.1</u>	<u>\$44.2</u>
Shares:			
Weighted average common shares outstanding (a)	<u>45.9</u>	<u>45.8</u>	<u>45.8</u>
Adjustment for assumed dilution — Stock options and restricted stock awards	<u>0.1</u>	<u>—</u>	<u>0.1</u>
Weighted average common shares outstanding and common stock equivalents	<u>46.0</u>	<u>45.8</u>	<u>45.9</u>
Earnings per share:			
Basic	<u>\$1.37</u>	<u>\$1.25</u>	<u>\$0.96</u>
Diluted	<u>1.36</u>	<u>1.25</u>	<u>0.96</u>

(a) Weighted average common shares outstanding include shares of common stock and vested share units outstanding during the year.

Note 16 – Selected Quarterly Financial Data (unaudited)

(in millions, except per share data)

	2009				2008			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Revenues	\$136.0	\$140.0	\$143.7	\$145.4	\$127.8	\$133.9	\$135.4	\$135.2
Cost of Revenues	65.2	67.9	71.7	69.5	69.9	72.9	76.3	67.9
Selling, general, and administrative expenses	45.5	45.4	51.3	48.7	36.7	36.1	36.9	41.2
Operating profit	25.1	27.5	21.3	27.5	21.2	25.3	22.8	24.7
Net income	15.2	16.6	13.1	17.8	12.8	15.5	14.0	14.8
Basic earnings per share	\$ 0.33	\$ 0.36	\$ 0.29	\$ 0.39	\$ 0.28	\$ 0.34	\$ 0.31	\$ 0.32
Diluted earnings per share	0.33	0.36	0.28	0.39	0.28	0.34	0.30	0.32

Table of Contents

BRINK'S HOME SECURITY HOLDINGS, INC.
and subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 17 – Subsequent Events

On January 18, 2010, we signed the Merger Agreement to be merged into a wholly-owned subsidiary of Tyco in a transaction valued at approximately \$2.0 billion. Under the terms of the Merger Agreement, for each share of our common stock outstanding, our shareholders will generally have the right to receive, at the election of the shareholder, (a) 42.50 in cash (subject to proration to reflect an overall cap on the amount of cash to be paid by Tyco), (b) a combination of \$12.75 in cash and a fraction of a Tyco share equal to \$29.75 divided by the volume weighted-average price of Tyco's shares on the New York Stock Exchange during the 10-trading day period ending on the fourth full day prior to the closing date, subject to collar between \$32.97 and \$40.29, or c) Tyco shares equal to \$42.50 divided by the volume weighted-average price detailed in (b) above, subject to the same collar. The Merger is subject to customary closing conditions, various regulatory approvals and approval of our shareholders. We currently expect the Merger to close in the second or third quarter of calendar year 2010. Upon closing of the Merger, we anticipate that Broadview Security will be combined with Tyco's ADT security business under the ADT brand.

On February 19, 2010, certain employees were granted 209,000 stock options with an exercise price of \$41.23 per share and an estimated aggregate fair value of \$3.0 million. These options, granted under the 2008 Equity Plan, will vest ratably each year over three years and will not vest upon change of control resulting from the Merger.

The Company evaluated all events or transactions that occurred after December 31, 2009 through February 24, 2010, the date and time of transmission of its financial statements.

Table of Contents**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

ITEM 9A. CONTROLS AND PROCEDURES***Evaluation of Disclosure Controls and Procedures***

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, the Company carried out an evaluation, with the participation of the Company's management, including the oversight of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Company management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree or compliance with the policies or procedures may deteriorate.

Under supervision and with participation of management, including the CEO and CFO, the Company conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2009. In conducting this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control — Integrated Framework*. Based on the Company's evaluation using criteria set by COSO, the Company management concluded internal control over financial reporting was effective as of December 31, 2009.

The effectiveness of internal control over financial reporting as of December 31, 2009 has been audited by KPMG LLP, the Company's independent registered public accounting firm, who also audited the Company's consolidated financial statements.

Changes in Internal Control Over Financial Reporting

Before the Spin-off, the Company relied on certain financial information and resources of BCO to manage certain aspects of the Company's business and report results. These included investor relations, corporate communications, accounting, tax, legal, human resources, benefit plan administration, benefit plan reporting, general management, real estate, treasury, insurance and risk management, and oversight functions, such as Board of Directors and internal audit which includes Sarbanes Oxley compliance. In conjunction with the Company's separation from BCO, the Company enhanced its own financial, administrative, and other support systems. The Company expanded its internal accounting, reporting, legal, and internal auditing departments and reformed its policies and systems, as needed, to meet all regulatory requirements on a stand-alone basis. While, most of these changes in staffing, policies and systems were accomplished prior to December 31, 2008, certain changes were completed during the year ended December 31, 2009.

Other than those noted above, there were no changes in the Company's internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**ITEM 9B. OTHER INFORMATION**

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The Company has adopted a Business Code of Ethics that applies to all of the directors, officers, and employees (including the Chief Executive Officer, Chief Financial Officer and Controller) and has posted the Code on the Company's website. The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments or waivers from any provision of the Business Code of Ethics applicable to the Chief Executive Officer, Chief Financial Officer, and Controller by posting this information on the Company's website at <http://www.investors.broadviewsecurity.com>.

The remainder of the information required by Item 10 is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A or will be part of an amendment to this Form 10-K, in either case to be filed within 120 days after December 31, 2009.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A or will be part of an amendment to this 10-K, in either case to be filed within 120 days after December 31, 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by Item 12 is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A or will be part of an amendment to this Form 10-K, in either case to be filed within 120 days after December 31, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A or will be part of an amendment to this Form 10-K, in either case to be filed within 120 days after December 31, 2009.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the Company's definitive proxy statement pursuant to Regulation 14A or will be part of an amendment to this Form 10-K, in either case to be filed within 120 days after December 31, 2009.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*****Financial Statement Schedules***

The financial statements included in this report are listed on page 38 of this report. Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instructions or inapplicable.

Exhibits

The exhibits required to be furnished pursuant to Item 15 are listed in the Exhibit Index filed herewith, which Exhibit Index is incorporated herein by reference.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Brink's Home Security Holdings, Inc.

Registrant

By /s/ ROBERT B. ALLEN
Robert B. Allen
 (Director, President and Chief Executive Officer)

February 24, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
JOHN S. BRINZO*	Director	February 24, 2010
LAWRENCE J. MOSNER*	Director	February 24, 2010
CARL S. SLOANE*	Chairman	February 24, 2010
CARROLL R. WETZEL, JR.*	Director	February 24, 2010
MICHAEL S. GILLILAND*	Director	February 24, 2010
<u>/s/ ROBERT B. ALLEN</u> Robert B. Allen	Director, President and Chief Executive Officer (principal executive officer)	February 24, 2010
<u>/s/ STEPHEN C. YEVICH</u> Stephen C. Yevich	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	February 24, 2010

*By /s/ JOHN S. DAVIS
(John S. Davis, Attorney-in-Fact)

Table of Contents**EXHIBIT INDEX**

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of January 18, 2010, between the Registrant, Tyco International Ltd., Barricade Merger Sub, Inc. and ADT Security Services, Inc. (Incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed January 19, 2010).
2.2	Separation and Distribution Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 2.1 to the Registrant's Amendment No. 3 on Form 10 Registration Statement filed September 25, 2008).
3.1	Amended and Restated Articles of Incorporation of the Registrant. (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Amendment No. 3 to Form 10 filed September 25, 2008).
3.2	Amended and Restated Bylaws of the Registrant. (Incorporated herein by reference to Exhibit 3(ii) to the Registrant's Current Report on Form 8-K filed November 19, 2009).
10.1	Transition Services Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.2	Brand Licensing Agreement between the Registrant and Brink's Network, Incorporated dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.3 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.3	Non-Competition and Non-Solicitation Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.5 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.4	Employee Matters Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.4 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008).
10.5	Tax Matters Agreement between the Registrant and The Brink's Company dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Amendment No. 2 to Form 10 filed August 14, 2008).
10.6*	Key Employees' Deferred Compensation Program, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.7 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008).
10.7*	Management Performance Improvement Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.8 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008).
10.8*	Key Employees Incentive Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.11 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008)

Table of Contents

10.9*	Directors' Stock Incentive Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.10 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008).
10.10*	Plan for Deferral of Directors' Fees, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.12 to the Registrant's Amendment No. 1 to Form 10 Registration Statement filed July 18, 2008).
10.11	Form of Change in Control Agreement entered into by the Registrant with certain of its executives. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 11, 2009).
10.12*	2008 Equity Incentive Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.6 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.13*	Non-Employee Directors' Equity Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.9 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.14*	Directors' Stock Accumulation Plan, dated as of October 31, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.15	Form of Indemnification Agreement entered into by the Registrant with its directors and officers. (Incorporated herein by reference to Exhibit 10.14 to the Registrant's Amendment No. 3 to Form 10 Registration Statement filed September 25, 2008).
10.16	\$75,000,000 Credit Agreement among the Registrant, as Borrower, Bank of America, N.A., Compass Bank, and Wachovia Bank, National Association as Lenders, JPMorgan Chase Bank, N.A., individually and as Administrative Agent, and Wells Fargo Bank, N.A. as Lender and Syndication Agent, dated as of October 21, 2008. (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 23, 2008).
10.17*	Form of Option Agreement for options granted under 2008 Equity Incentive Plan. (Incorporated herein by reference to Exhibit 10.17 to the Registrant's Current Report on Form 10-K filed March 31, 2009).
10.18*	Form of Award Agreement for restricted stock units granted under Non-Employee Directors' Equity Plan. (Incorporated herein by reference to Exhibit 10.18 to the Registrant's Current Report on Form 10-K filed March 31, 2009).
10.19*	Form of Award Agreement for deferred stock units granted under Non-Employee Directors' Equity Plan. (Incorporated herein by reference to Exhibit 10.19 to the Registrant's Current Report on Form 10-K filed March 31, 2009).
10.20	First Amendment, Limited Consent and Waiver to Credit Agreement, between the Registrant, the Lender's party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, and Wells Fargo Bank, N.A. as Syndication Agent. Dated February 17, 2010.
21	Current List of Subsidiaries of Registrant.
23	Consent of Independent Registered Public Accounting Firm.

Table of Contents

- 24 Powers of Attorney.
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement.

APPENDIX E

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

EX-10.2 3 ex10-2.htm BRAND LICENSING AGREEMENT BETWEEN BRINK'S NETWORK, INCORPORATED AND BRINK'S HOME SECURITY HOLDINGS, INC.

Exhibit 10.2

EXECUTION COPY

BRAND LICENSING AGREEMENT

This BRAND LICENSING AGREEMENT (this "AGREEMENT") dated as of October 31, 2008, is by and between Brink's Network, Incorporated, a Delaware corporation ("LICENSOR"), and Brink's Home Security Holdings, Inc., a Virginia corporation ("LICENSEE").

WITNESSETH

WHEREAS The Brink's Company and LICENSEE are parties to a Separation and Distribution Agreement dated as of October 31, 2008 (the "SEPARATION AND DISTRIBUTION AGREEMENT"), pursuant to which, among other things, The Brink's Company and LICENSEE agreed that LICENSOR and LICENSEE shall execute a brand licensing agreement; and

WHEREAS, LICENSEE desires to provide SERVICES, as hereinafter defined, and to market PRODUCTS, as hereinafter defined, utilizing the TRADE SYMBOLS, as hereinafter defined, in the TERRITORY, as hereinafter defined, under grant of license by LICENSOR.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. Definitions

Capitalized terms used herein and not otherwise defined herein have the meanings given to such terms in the SEPARATION AND DISTRIBUTION AGREEMENT. For the purposes of this AGREEMENT, the following terms shall have the following meanings:

"BHS DOMAIN NAMES" shall mean each of mybrinks.com, brinksbusinesssecurity.com, brinkshomesecurity.com, brinkshometechnologies.com, brinksauthorizeddealer.com and brinkshomesecurityholdings.com.

"BHS TRADE SYMBOLS" shall mean any of the TRADE SYMBOLS identified in Schedule A as a "BHS TRADE SYMBOL".

"BUSINESS DAY" shall mean any calendar day that is not a Saturday, Sunday or legal holiday in either Virginia or Texas.

"COMPETITOR" shall mean any entity that is engaging, directly or indirectly, in (a) the provision of secured transportation, cash logistics, guarding or other related services anywhere in the world or (b) the provision, rental, installation, servicing, repair, distribution, storage, monitoring and maintenance of commercial or residential security systems outside the TERRITORY.

"EQUITY INTERESTS" shall mean shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a PERSON, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest from the issuer thereof.

Brink's Network, Inc. v. Brinkmann Corp.
Opposition No. 91164764
Offering Party: Brink's Network, Inc.
Appendix E

"GAAP" shall mean generally accepted accounting principles in the United States, as in effect from time to time.

"PRODUCTS" shall mean any apparatus, component and/or software program used, marketed, leased or sold in the performance of the SERVICES by LICENSEE.

"SEC" shall mean the United States Securities and Exchange Commission.

"SERVICES" shall mean (a) the provision, rental, installation, servicing, repair, distribution, storage, monitoring and maintenance of (i) security alarm systems for business and residential premises, including any (A) video surveillance systems, (B) fire, carbon dioxide, water, temperature, intrusion and/or medical emergency alarm components and (C) electronic card access systems, in each case, comprising such security alarm systems, and (ii) personal emergency response systems for senior citizens; (b) the provision of personal identity protection services; and (c) the marketing, packaging, advertising and promotion of any of the services listed in this definition.

"TERM" shall have the meaning set forth in Section 8.

"TERRITORY" shall mean the United States of America, Puerto Rico and Canada.

"TRADE SYMBOLS" shall mean any of the trademarks, trade names, logos, domain names, slogans, labels, copyrights, emblems, insignia and other trade identifying symbols listed in Schedule A.

"WHOLLY OWNED SUBSIDIARY" shall mean a SUBSIDIARY of LICENSEE all the outstanding EQUITY INTERESTS of which (other than (x) directors's qualifying shares and (y) shares issued to a foreign national to the extent required by applicable law) are owned by LICENSEE and/or by one or more WHOLLY OWNED SUBSIDIARIES.

2. Grant of Right to Use of the TRADE SYMBOLS

(a) Subject to the terms and conditions set forth in this AGREEMENT, LICENSOR hereby grants to LICENSEE during the TERM an exclusive, nontransferable (except as provided in Section 17) license to use the TRADE SYMBOLS in relation to the SERVICES and PRODUCTS within the TERRITORY.

(b) LICENSEE shall not have the right to grant sublicenses to the right to use the TRADE SYMBOLS without the prior written approval of LICENSOR, which LICENSOR may refuse in its sole discretion. Notwithstanding the foregoing, LICENSEE may, without LICENSOR's approval (subject to LICENSEE's compliance with the last sentence of Section 12), sublicense its rights hereunder to (i) any WHOLLY OWNED SUBSIDIARY or (ii) any agent, subcontractor, dealer, distributor or other representative of LICENSEE or of a WHOLLY OWNED SUBSIDIARY sublicensed under clause (i) of this Section 2(b) solely to the extent necessary to enable such agent, subcontractor, dealer, distributor or other representative to provide SERVICES or PRODUCTS for or on behalf of LICENSEE or such WHOLLY OWNED SUBSIDIARY, provided that such sublicense shall be subject to the terms and conditions of this AGREEMENT and; provided further, that such sublicense shall terminate automatically upon such sublicensee's ceasing to be a WHOLLY OWNED SUBSIDIARY, agent, subcontractor, dealer, distributor or other representative, as applicable, of LICENSEE or of a WHOLLY OWNED SUBSIDIARY. LICENSEE shall be responsible for each such sublicensee's compliance with the terms of this AGREEMENT and such sublicense and shall be liable for any breach of this AGREEMENT and such sublicense by each such sublicensee.

(c) LICENSOR reserves to itself, for its own use and/or the use of its AFFILIATES and licensees, in or outside the TERRITORY, the right to use the TRADE SYMBOLS (other than the BHS TRADE SYMBOLS in the TERRITORY), either alone or as a component of another trademark, trade name, slogan, logo, domain name, label, copyright, emblem, insignia or other trade identifying symbol, except in relation to RESTRICTED ACTIVITIES (as defined in the NON-COMPETE AGREEMENT), and nothing in this AGREEMENT shall prohibit, limit or restrict LICENSOR from licensing or otherwise disposing of such use, in or outside the TERRITORY, including during the TERM, to any other PERSON. Notwithstanding the foregoing, none of LICENSOR, its AFFILIATES or licensees shall have the right, during the TERM, to use any of the BHS TRADE SYMBOLS, whether or not in relation to the SERVICES or PRODUCTS, anywhere in the TERRITORY.

(d) Notwithstanding the foregoing, LICENSEE acknowledges that all rights granted under this AGREEMENT are subject to all rights granted under the Trademark License Agreement dated as of January 1, 2005, between Hampton Products International, Corp. and Brink's Guarding Services, Inc., as amended from time to time (subject to the limitations set forth in the NON-COMPETE AGREEMENT).

3. Quality Control

(a) The permitted use by LICENSEE of the TRADE SYMBOLS shall be subject to instructions of LICENSOR furnished to LICENSEE from time to time, and shall be made only in relation to the SERVICES and PRODUCTS that conform to standards and specifications, if any, furnished and/or approved, from time to time in writing, by LICENSOR, such approval not to be unreasonably withheld. LICENSEE shall not offer for sale or provide any of the SERVICES or PRODUCTS and shall assure that no other entity that participates with LICENSEE in the provision of the SERVICES or PRODUCTS shall offer for sale or provide any such SERVICES or PRODUCTS (i) that are of a quality or a standard inferior to the quality or standard being provided by LICENSEE or any of its SUBSIDIARIES on the date of this AGREEMENT or (ii) that will tend to injure the reputation and goodwill attached to the TRADE SYMBOLS.

(b) LICENSEE shall be permitted to use any designs, materials, packages, labels, promotional materials and advertising materials in relation to the SERVICES and PRODUCTS that were in use, or approved by LICENSOR or Brink's Guarding Services, Inc., prior to the DISTRIBUTION DATE; provided, however, that in the event that, after the DISTRIBUTION DATE, any such design, material, package, label, promotional material or advertising material is materially modified, or the manner in which any of the foregoing is used is proposed to be materially modified, LICENSEE shall obtain the written approval of LICENSOR (such approval not to be unreasonably withheld) for such design, material, package, label, promotional material, advertising material or such modified use thereof prior to any use thereof.

4. Inspection

LICENSEE shall at all times and in all places permit LICENSOR, by representatives designated by LICENSOR, to inspect the SERVICES and PRODUCTS provided by LICENSEE under the TRADE SYMBOLS and any marketing material used by LICENSEE in marketing the SERVICES and PRODUCTS. At all times, LICENSEE shall comply with the reasonable quality control procedures furnished or approved, from time to time, by LICENSOR.

5. Title to the TRADE SYMBOLS

(a) LICENSEE recognizes LICENSOR's rights, title and interest to the TRADE SYMBOLS and shall not, at any time, do or suffer to be done, or assist any third party to do or suffer to be done, any act or thing that will in any way impair the rights, title and interest of LICENSOR in and to any of the TRADE SYMBOLS. Except as provided in Section 5(k), LICENSEE shall not acquire or attempt to acquire, or assist any third party in acquiring or attempting to acquire, title to the TRADE SYMBOLS, and shall not claim title or assist any third party in claiming title to the TRADE SYMBOLS. All use of the TRADE SYMBOLS by LICENSEE, and the goodwill connected therewith and symbolized thereby, shall at all times inure to the exclusive benefit of LICENSOR. LICENSEE shall use the appropriate statutory symbol for a registered mark or the common law symbol for an unregistered mark, as the case may be, with all uses of the TRADE SYMBOLS. Except as provided in Section 5(k), neither LICENSEE nor any SUBSIDIARY of LICENSEE or sublicensee pursuant to Section 2(b) shall register, without the express written permission of LICENSOR, the TRADE SYMBOLS or any marks, words, symbols, phrases, designs, trademarks, trade names, slogans, labels, copyrights, emblems, insignia, packages, logos, domain names, corporate names or any other trade identifying symbols that are confusingly similar to the TRADE SYMBOLS or that otherwise use the word "Brink's" or any derivation or variation thereof anywhere in the world. LICENSEE agrees not to assert any right or interest in any of the TRADE SYMBOLS or any marks using the word "Brink's" or any derivation or variation thereof except as expressly provided for by this AGREEMENT or any subsequent agreement with LICENSOR or any authorized AFFILIATE of LICENSOR.

(b) LICENSEE and its sublicensees pursuant to Section 2(b) shall not use, and shall not cause or permit any third party to use, the TRADE SYMBOLS in any unlawful or deceptive manner or in any other way that is likely to directly or indirectly tarnish, dilute, denigrate, diminish, lessen the value of or invalidate any of the TRADE SYMBOLS or the consumer's perception of any of the TRADE SYMBOLS. LICENSEE shall promptly notify LICENSOR in writing when it becomes aware of any such use in any part of the world. Any violation of this Subsection 5(b) shall constitute a material breach of this AGREEMENT.

(c) LICENSEE further undertakes that in the event any potential infringement of the rights of LICENSOR to any of the TRADE SYMBOLS in the TERRITORY comes to the notice of LICENSEE prior to the termination, cancellation or expiration of this AGREEMENT, LICENSEE shall promptly notify LICENSOR. LICENSEE shall join with LICENSOR, if requested by LICENSOR, in taking such steps as LICENSOR deems advisable against the potential infringement of the LICENSOR's rights to any of the TRADE SYMBOLS. LICENSOR shall be liable for all costs and expenses, including without limitation attorneys' fees, incurred at any time associated with taking such steps in respect of the TRADE SYMBOLS, excluding the BHS TRADE SYMBOLS. LICENSEE and LICENSOR shall equally share any costs and expenses incurred prior to termination, cancellation or expiration of this AGREEMENT associated with taking such steps in respect of the BHS TRADE SYMBOLS. In the event that LICENSOR elects not to take action in respect of any of the TRADE SYMBOLS, LICENSEE may, with LICENSOR's written approval, and at LICENSEE's own expense, proceed in taking steps against the potential infringement necessary for the protection of rights in the TRADE SYMBOLS.

(d) All costs associated with registering, maintaining or renewing any TRADE SYMBOL shall be borne by LICENSOR. Except as provided in Section 5(k), LICENSOR shall continue to maintain registration of any registered TRADE SYMBOL prior to termination, cancellation or expiration of this AGREEMENT.

(e) LICENSEE shall, at LICENSOR's request, execute, acknowledge and deliver to LICENSOR any documents and/or instruments that LICENSOR may, from time to time, deem necessary or desirable to evidence, protect, enforce or defend its rights or title in and to the TRADE SYMBOLS.

(f) BHS Inc. hereby transfers to LICENSOR, effective upon termination, cancellation or expiration of this AGREEMENT, all domain names (including the BHS DOMAIN NAMES and each of the domain names listed in Schedule A) owned by, or registered in the name of, LICENSEE or any of its SUBSIDIARIES or other AFFILIATES that include the word "Brink's", or any derivation or variation thereof, or any of the other TRADE SYMBOLS. LICENSOR and BHS Inc. shall, upon request by LICENSOR at any time after termination, cancellation or expiration of this AGREEMENT, execute and deliver all such documents, and take all such other actions, as are necessary or, in the reasonable opinion of LICENSOR, advisable to effect and evidence the transfer of such domain names (including the BHS DOMAIN NAMES and each of the domain names listed in Schedule A) to LICENSOR pursuant to the immediately preceding sentence. Within ten days after termination, cancellation or expiration of this AGREEMENT, LICENSOR agrees to pay to BHS Inc. a total amount of \$100 in cash in respect of such transfer. LICENSEE further agrees not to effect any sale, transfer or other disposition of any domain name referred to in this Section 5(f) to any PERSON other than LICENSOR (except to an assignee of LICENSEE's rights and obligations under this AGREEMENT pursuant to Section 17).

(g) Upon termination, cancellation or expiration of this AGREEMENT, LICENSEE shall, and shall cause each SUBSIDIARY and other AFFILIATE of LICENSEE to, terminate (or, if requested by LICENSOR, transfer to LICENSOR) all registrations in the name of LICENSEE or such SUBSIDIARY or other AFFILIATE, as the case may be, in any federal, state or foreign office, of any trademarks, trade names, logos, domain names, slogans, labels, copyrights, emblems, insignia and other trade identifying symbols included in the TRADE SYMBOLS or that otherwise contain the word "Brink's" or any derivation or variation thereof (other than domain names required to be transferred to LICENSOR pursuant to Section 5(f)).

(h) Upon termination, cancelation or expiration of this AGREEMENT, (i) LICENSEE and its sublicensees pursuant to Section 2(b) shall immediately discontinue and shall thereafter refrain from using the TRADE SYMBOLS, or any of them, in any way or for any purpose whatsoever, and shall not use, at any time, any trademarks, trade names, logos, domain names, trade names, slogans, labels, copyrights, emblems, insignia, packages and other trade identifying symbols that are confusingly similar to any of the TRADE SYMBOLS or that otherwise contain the word "Brink's" or any derivation or variation thereof and (ii) all restrictions contained herein on the use of the TRADE SYMBOLS by LICENSOR and its AFFILIATES and licensees shall cease to be effective; provided, however, that (A) LICENSEE may, subject to LICENSEE's obligations to comply with the terms and provisions of this AGREEMENT as so terminated, in the regular course of business in the TERRITORY and on a royalty-free basis, distribute any stock of goods used in providing the SERVICES or PRODUCTS (together with any manuals in respect of such goods) remaining in its hands at the termination, cancelation or expiration of this AGREEMENT, within a period of one month after the date of termination, cancelation or expiration of this AGREEMENT, (B) for a period of ten years after termination, cancelation or expiration of this AGREEMENT (provided, that such period may be extended upon reasonable request by LICENSEE and written consent by LICENSOR, such consent not to be unreasonably withheld), LICENSEE may, on the internet domain adopted by LICENSEE for its continuing business, publish (1) an image of any PRODUCT installed prior to the date of termination, cancelation or expiration of this AGREEMENT and a pdf version of any manuals distributed in respect of such PRODUCT prior to termination, cancelation or expiration of this AGREEMENT or (2) an image of any good distributed pursuant to clause (A) and any manuals in respect of such good distributed within a period of one month after termination, cancelation or expiration of this AGREEMENT; provided that LICENSEE shall indemnify LICENSOR in respect of any claims arising at any time, directly or indirectly, from this clause (B) on the terms set forth in Section 13 (treating such claims as having arisen in connection with LICENSEE's performance under this AGREEMENT), (C) LICENSEE shall not have any obligation to (or to cause its sublicensees pursuant to Section 2(b) to) remove any TRADE SYMBOLS from (1) any goods (or any manuals in respect of such goods) distributed pursuant to clause (A) above, (2) any PRODUCTS installed prior to the date of termination, cancelation or expiration of this AGREEMENT in any residence or place of business of any former or current customer of LICENSEE or any of its SUBSIDIARIES, whether such PRODUCTS are owned by LICENSEE or any of its SUBSIDIARIES, by such former or current customer or by a third party, or any manuals in respect of such PRODUCTS that were distributed prior to termination, cancelation or expiration of this AGREEMENT, or (3) any image of any PRODUCT and any manual in respect of such PRODUCT published pursuant to clause (B) above and (D) for a period of two years after termination, cancelation or expiration of this AGREEMENT, LICENSOR shall, at LICENSEE's expense, (x) cooperate with LICENSEE to maintain registration of the BHS DOMAIN NAMES and use reasonable efforts to redirect internet users that attempt to access any BHS DOMAIN NAME to the domain name adopted by LICENSEE for its continuing business to replace such BHS DOMAIN NAME that is provided by LICENSEE to LICENSOR in writing for this purpose and (y) provide a link on the Brink's website "www.brinks.com" to up to three websites to be adopted by LICENSEE for its continuing business that are provided by LICENSEE to LICENSOR for this purpose, in each case pursuant to arrangements reasonably satisfactory to LICENSOR and LICENSEE, provided that LICENSEE shall indemnify LICENSOR in respect of any claims arising at any time, directly or indirectly, from LICENSOR's compliance with this clause (D) on the terms set forth in Section 13 (treating such claims as having arisen in connection with LICENSEE's performance under this AGREEMENT). Notwithstanding any provision herein to the contrary, this Subsection (h) shall survive the termination, cancelation or expiration of this AGREEMENT.

(i) LICENSEE shall use reasonable best efforts to amend its Articles of Incorporation and Bylaws (including by filing all documents necessary or otherwise reasonably requested by LICENSOR), no later than the first shareholder meeting of LICENSEE during the calendar year 2011, to the extent necessary to change its corporate name to remove all references to the word "Brink's", or any derivation or variation thereof, and each other TRADE SYMBOL (and any other term that is confusingly similar to "Brink's"). In furtherance of and without in any way limiting the foregoing, LICENSEE shall include in the proxy statement for its first meeting of shareholders scheduled to occur during the calendar year 2011 (unless approved at an earlier shareholder meeting of LICENSEE) a proposal to effect such change in LICENSEE's corporate name and recommendation that its shareholders approve such change.

(j) Notwithstanding anything in this AGREEMENT to the contrary, following the termination, cancellation or expiration of this AGREEMENT, none of LICENSEE, any SUBSIDIARY or other AFFILIATE of LICENSEE or any agent, subcontractor, dealer, distributor or other representative of LICENSEE or any such SUBSIDIARY sublicensed pursuant to Section 2(b) shall have any right to use the word "Brink's", or any derivation or variation thereof, or any of the other TRADE SYMBOLS licensed hereunder as part of its corporate name.

(k) Notwithstanding anything in this AGREEMENT to the contrary, at all times prior to termination, cancellation or expiration of this AGREEMENT, BHS Inc. shall maintain, at LICENSOR's expense, its registration of each of the domain names listed in Schedule A. Subject to the right of LICENSEE to (1) use email addresses that use the domain name "[brinks.com](http://www.brinks.com)" for the term provided in the TRANSITION SERVICES AGREEMENT and (2) use the BHS DOMAIN NAMES (in accordance with the terms and subject to the conditions of this AGREEMENT), LICENSEE hereby grants LICENSOR exclusive access to, control over and use of each of the domain names listed in Schedule A for any purpose whatsoever on a royalty-free basis. At all times prior to termination, cancellation or expiration of this AGREEMENT, LICENSOR agrees to provide a link on the Brink's website "www.brinks.com" to up to three websites to be adopted by LICENSEE for its continuing business, such websites to be provided by LICENSEE to LICENSOR for this purpose, in each case pursuant to arrangements reasonably satisfactory to LICENSEE and LICENSOR; provided that LICENSEE shall indemnify LICENSOR in respect of any claims arising at any time, directly or indirectly, from LICENSOR's compliance with this sentence on the terms set forth in Section 13 (treating such claims as having arisen in connection with LICENSEE's performance under this AGREEMENT). Notwithstanding any provision herein to the contrary, the immediately preceding sentence shall survive the termination, cancellation or expiration of this AGREEMENT.

6. License Fees

(a) LICENSEE shall pay to LICENSOR, in consideration of the license granted to LICENSEE by LICENSOR hereunder, a royalty of 1.25% of NET REVENUES, as hereinafter defined (the "ROYALTY AMOUNTS"). The ROYALTY AMOUNTS shall be payable quarterly with respect to each fiscal quarter of LICENSEE ending after the DISTRIBUTION DATE but on or before the last day of the first fiscal quarter of LICENSEE ending after the termination, cancellation or expiration of this AGREEMENT.

(b) The term NET REVENUES shall mean, in respect of any fiscal quarter of LICENSEE, the amount reported by LICENSEE as "Revenues" for such fiscal quarter in its financial statements filed with the SEC (or, if not so reported on or before the date on which LICENSEE is required to render a statement of account with respect to such fiscal quarter pursuant to Subsection 6(d), as determined in accordance with GAAP and the requirements of the SEC applicable to quarterly reports on Form 10-Q) less the provision for uncollectible accounts receivable for such fiscal quarter (as set forth in such financial statements or so determined in accordance with GAAP and such SEC requirements, as applicable). Notwithstanding the immediately preceding sentence, (i) in respect of the period beginning on the DISTRIBUTION DATE and ending on the last day of the first fiscal quarter of LICENSEE ending after the DISTRIBUTION DATE, the term NET REVENUES shall mean the NET REVENUES (determined as provided in the first sentence of this Subsection) for the fiscal quarter of LICENSEE during which the DISTRIBUTION DATE occurred, multiplied by the number of days from (and including) the DISTRIBUTION DATE to (and including) the last day of the first fiscal quarter of LICENSEE ending after the DISTRIBUTION DATE, divided by the total number of days in such fiscal quarter, and (ii) in respect of the first fiscal quarter of LICENSEE ending after the termination, cancellation or expiration of this AGREEMENT, the term NET REVENUES shall mean the NET REVENUES (determined as provided in the first sentence of this Subsection) for the fiscal quarter of LICENSEE during which such termination, cancellation or expiration occurs, multiplied by the number of days in such fiscal quarter of LICENSEE prior to such termination, cancellation or expiration, divided by the total number of days in such fiscal quarter. Notwithstanding the foregoing, NET REVENUES shall exclude the revenues of (i) any PERSON, or business unit or division of any PERSON, acquired by LICENSEE or any SUBSIDIARY of LICENSEE after the DISTRIBUTION DATE and (ii) any PERSON merged or consolidated with or into LICENSEE or any SUBSIDIARY of LICENSEE after the DISTRIBUTION DATE solely to the extent that, in the case of each of clauses (i) and (ii), (A) such PERSON does not become a sublicensee of LICENSOR pursuant to Section 2(b), (B) none of the TRADE SYMBOLS are used in connection with the sale of PRODUCTS or provision of SERVICES by such PERSON, business unit or division and (C) the operations of such PERSON, business unit or division after the date of such acquisition, merger or consolidation are conducted separately from, and remain sufficiently distinct from, the operations of LICENSEE and its SUBSIDIARIES in existence prior to such acquisition, merger or consolidation such that it is reasonable to conclude that the sale of PRODUCTS and provision of SERVICES by such PERSON, business unit or division are not benefiting from the use of the TRADE SYMBOLS by LICENSEE and its SUBSIDIARIES.

(c) LICENSEE shall maintain itemized, complete and accurate books of account with respect to its performance under this AGREEMENT.

(d) LICENSEE shall render to LICENSOR a statement of account, certified by a financial officer of LICENSEE, of the NET REVENUES and computations of the ROYALTY AMOUNTS for each fiscal quarter of LICENSEE (including the first fiscal quarter of LICENSEE ending after the termination, cancelation or expiration of this AGREEMENT) within 40 days after the end of such fiscal quarter. The ROYALTY AMOUNTS determined to be due to LICENSOR hereunder with respect to each fiscal quarter (or portion of the first fiscal quarter of LICENSEE ended after the DISTRIBUTION DATE or portion of the first fiscal quarter of LICENSEE ending after the termination, cancelation or expiration of this AGREEMENT) shall be paid to LICENSOR within 45 days after the end of such fiscal quarter.

(e) Notwithstanding anything to the contrary contained herein, any payment that would otherwise be due and payable to LICENSOR hereunder on a day that is not a BUSINESS DAY shall not be due and payable until the first BUSINESS DAY after such day.

(f) In the event that LICENSEE does not make any payment required under the provisions of this AGREEMENT, including payments required after the termination, cancelation or expiration of this AGREEMENT, to LICENSOR when due in accordance with the terms hereof, LICENSOR shall, at its option, charge LICENSEE interest on the unpaid amount at the rate of 2% per annum above the prime rate charged by JPMorgan Chase Bank, N.A. (or its successor). LICENSEE shall keep complete and accurate records of the sales of the SERVICES and PRODUCTS, including all information relevant to the computation of the ROYALTY AMOUNTS due hereunder. LICENSOR may review or may designate, at its expense, a recognized firm of public accountants to review the accounts of LICENSEE to determine whether proper accounting and payments have been made; provided, however, that if there is an error in favor of LICENSEE in excess of 2% in computing such accounting, all expenses in connection with such review shall be borne by LICENSEE.

(g) All payments due to LICENSOR hereunder shall be made to LICENSOR in United States dollars at LICENSOR's Treasurer's office by wire transfer in immediately available funds to an account specified by LICENSOR, or at such other place or in such other manner as may be designated by LICENSOR in writing.

(h) Any taxes, duties or imposts, other than income or profit taxes, assessed or imposed upon the sums due hereunder to LICENSOR or upon or with respect to this AGREEMENT, shall be borne and discharged by LICENSEE and no part thereof shall be deducted from any amount payable to LICENSOR under any clause of this AGREEMENT, said amounts to be net to LICENSOR, free of any and all deductions, (other than for such income or profit taxes) except as otherwise provided herein.

(i) Notwithstanding any provision herein to the contrary, this Section 6 shall survive the termination, cancelation or expiration of this AGREEMENT.

7. Disclaimer of Warranty

While LICENSOR believes that none of the TRADE SYMBOLS licensed hereunder will infringe any rights, trademarks or other property interests owned by any other PERSON, LICENSOR does not warrant that any TRADE SYMBOLS do not or will not infringe on any rights, trademarks or other property interests in any part of the world. LICENSOR agrees to indemnify LICENSEE and its AFFILIATES and each of their respective officers, directors, employees, contractors, agents, dealers and representatives against, and to hold such persons harmless from, any and all founded and unfounded claims, suits, losses, damages, liabilities, costs and/or expenses, including reasonable attorneys' fees, arising out of or in connection with any infringement by any of the TRADE SYMBOLS, excluding the BHS TRADE SYMBOLS, on any rights, trademarks or other property interests in any part of the world. LICENSEE and LICENSOR shall equally share the costs of all claims, suits, losses, damages, liabilities, costs and/or expenses, including reasonable attorneys' fees, made, brought or incurred prior to termination, cancellation or expiration of this AGREEMENT arising out of any infringement of any of the BHS TRADE SYMBOLS on any rights, trademarks or other property interests in any part of the world (such costs, the "SHARED COSTS"). and each of LICENSOR and LICENSEE shall indemnify the other, and its AFFILIATES and each of their respective officers, directors, employees, contractors, agents, dealers and representatives against, and hold such persons harmless from, the portion of any SHARED COSTS incurred by such persons in excess of 50% of such SHARED COSTS. LICENSEE shall promptly notify LICENSOR in writing when it becomes aware of any claim by any third party that any of the TRADE SYMBOLS infringes any rights, trademarks or other property interests in any part of the world.

8. Term

This AGREEMENT shall commence on the DISTRIBUTION DATE and shall continue in force for a period of three years thereafter (the "TERM") unless earlier terminated as provided by any applicable law or in accordance with Section 9.

9. Termination

(a) LICENSEE may terminate this AGREEMENT in its entirety on 30 days prior written notice to LICENSOR.

(b) Either party to this AGREEMENT shall have, in addition to any other rights and remedies it may have, the right to terminate this AGREEMENT on ten days' prior written notice to the other, if the other party shall breach or default in the performance of any material provision of this AGREEMENT; provided, however, that if it is possible for such breach or default to be cured and the party receiving such notice of termination shall cure such breach or default within a 30-day period after receipt of such notice, then this AGREEMENT shall continue in full force and effect.

(c) LICENSOR shall have the right, notwithstanding any other provisions of this AGREEMENT, and in addition to any other rights and remedies it may have, to terminate this AGREEMENT forthwith and at any time if LICENSEE becomes insolvent; or if LICENSEE files a petition in bankruptcy or insolvency; or if LICENSEE is adjudicated bankrupt or insolvent; or if LICENSEE files any petition or answer seeking reorganization, readjustment or arrangement of LICENSEE's business under any law relating to bankruptcy or insolvency; or if a receiver, trustee or liquidator is appointed for any of the property of LICENSEE and within 60 days thereof LICENSEE fails to secure a dismissal thereof; or if LICENSEE makes any assignment for the benefit of creditors; or in the event of government expropriation of a material portion of the assets of LICENSEE.

(d) If LICENSEE shall fail to pay any financial obligation to LICENSOR incurred by it under this AGREEMENT within ten days after notice from LICENSOR, then LICENSOR shall have the right, notwithstanding Subsection (b) of this Section 9 or any other provisions of this AGREEMENT, and in addition to any other rights and remedies it may have, to terminate this AGREEMENT forthwith.

(e) Notwithstanding any other provision of this AGREEMENT, if any COMPETITOR is, or becomes, an AFFILIATE of LICENSEE or merges or consolidates with or into LICENSEE, whether or not such COMPETITOR is the surviving entity, then LICENSOR shall have the right to terminate this AGREEMENT upon 180 days' prior written notice to LICENSEE.

(f) In any event, no termination, cancellation or expiration of this AGREEMENT shall prejudice the right of either party hereto to recover any payment due at the time of termination, cancellation or expiration (or any payment accruing as a result thereof), nor shall it prejudice any cause of action or claim of either party hereto accrued or to accrue by reason of any breach or default by the other party hereto.

10. Confidentiality

This AGREEMENT and the information provided to each party hereunder shall be subject to the confidentiality provisions set forth in Sections 7.07 and 7.08 of the SEPARATION AND DISTRIBUTION AGREEMENT.

11. Exoneration from Responsibility

None of LICENSOR or its AFFILIATES or any of their respective officers, directors, employees, agents, dealers, contractors or other representatives shall have any responsibility for the provision of the SERVICES or use or marketing of the PRODUCTS contemplated under this AGREEMENT or for any decisions that may be made in connection therewith.

12. Insurance

LICENSEE agrees to maintain throughout the TERM and for at least three years after the termination, cancellation or expiration of this AGREEMENT, at LICENSEE's sole cost and expense, Comprehensive General Liability insurance, including contractual liability, product and completed operations and errors and omissions liability on a worldwide basis and advertising liability, including coverage for punitive damages to the extent permitted by applicable law, applicable to the SERVICES and PRODUCTS covering both LICENSOR and LICENSEE and each of their respective AFFILIATES for claims made anywhere in the world with at least a Bodily Injury and Property Damage Liability Combined Single Limit of

U.S. \$50,000,000. Such policies shall name LICENSOR as an additional insured and contain a broad form vendors endorsement in favor of such additional insured. LICENSEE shall obtain such insurance from a qualified insurance company (a) having an A-VIII rating from A.M. Best or (b) if having less than an A-VIII rating from A.M. Best, reasonably satisfactory to LICENSOR. LICENSEE shall deliver to LICENSOR (i) promptly after execution of this AGREEMENT, a copy of such insurance policies, in effect as of the DISTRIBUTION DATE, evidencing such coverage and (ii) promptly after LICENSEE obtains any new, renewal or replacement insurance policy required by this Section 12 at any time after the DISTRIBUTION DATE, a copy of such new, renewal or replacement insurance policy. All insurance policies required by this Section 12 shall provide that such insurance policies shall not be canceled, non-renewed, allowed to expire or materially changed except on 60 days' prior written notice to LICENSOR. If LICENSEE shall fail to maintain any insurance required by this Section 12, LICENSOR may obtain such insurance and charge the cost thereof to LICENSEE or may treat such failure as a breach of a material provision of this AGREEMENT. Notwithstanding any provision in this AGREEMENT to the contrary, LICENSEE shall not grant any sublicenses under Section 2(b) to any third party (other than a WHOLLY OWNED SUBSIDIARY) and shall not otherwise enter into any arrangement whereby any agent, subcontractor, dealer, distributor, representative of LICENSEE or other PERSON shall provide SERVICES or PRODUCTS for or on behalf of LICENSEE or a WHOLLY OWNED SUBSIDIARY unless (i) such agent, subcontractor, dealer, distributor, representative of LICENSEE or other PERSON obtains insurance to the same extent that LICENSEE is required to maintain insurance pursuant to this Section 12, which insurance shall comply with all requirements applicable to the insurance that LICENSEE is required to maintain pursuant to this Section 12, or (ii) the insurance policies obtained by LICENSEE pursuant to this Section 12 provide coverage (including for the benefit of LICENSOR) in respect of the activities of such agent, subcontractor, dealer, distributor, representative of LICENSEE or other PERSON as if such activities were being conducted by LICENSEE.

13. Indemnification

LICENSEE agrees to indemnify LICENSOR and its AFFILIATES and each of their respective officers, directors, employees, contractors, agents, dealers and representatives against, and to hold such persons harmless from, any and all founded and unfounded claims, suits, damages, liabilities, losses, costs and/or expenses, including reasonable attorneys' fees, arising out of or in connection with LICENSEE's performance or failure to perform or any of its sublicensee's (pursuant to Section 2(b)) performance or failure to perform under this AGREEMENT and/or for copyright infringement, patent infringement and/or unfair competition caused by or arising out of the provision of the SERVICES and/or the manufacture, use, marketing, advertising, distribution or sale of the PRODUCTS. In addition, without limiting the foregoing, LICENSEE agrees to indemnify LICENSOR and its AFFILIATES and each of their respective officers, directors, employees, contractors, agents, dealers and representatives against, and shall hold such persons harmless from, any and all founded and unfounded claims, suits, damages, liabilities, losses, consequential damages, costs and/or expenses, including attorneys' fees, arising out of or in connection with allegations that LICENSEE's use or any of its sublicensee's (pursuant to Section 2(b)) use of the TRADE SYMBOLS constitutes false, deceptive or misleading advertising. In addition, without limiting the foregoing, LICENSEE agrees to indemnify LICENSOR and its AFFILIATES and each of their respective officers, directors, employees, contractors, agents, dealers

and representatives against, and shall hold such persons harmless from, any and all founded and unfounded claims, suits, damages, losses, consequential damages, liabilities, costs and/or expenses, including attorneys' fees, arising out of the sale, advertising, use, performance and/or alleged defects of the SERVICES or PRODUCTS. LICENSEE will take all necessary steps to ensure that (a) any claim tendered by LICENSOR to LICENSEE as described in Section 5.06(a) of the SEPARATION AND DISTRIBUTION AGREEMENT for indemnity and defense pursuant to this Section 13 and (b) any claim tendered by any third party to LICENSEE for which LICENSOR would be indemnified pursuant to this Section 13, in each case, is promptly and properly filed with LICENSEE's insurer in order to effect coverage for LICENSOR for such claim under LICENSEE's insurance policy(ies).

14. Dispute Resolution

All disputes, controversies, and claims directly or indirectly arising out of or in relation to this AGREEMENT or any schedule hereto or the validity, interpretation, construction, performance, breach or enforceability of this AGREEMENT or any schedule hereto shall be finally, exclusively and conclusively settled in accordance with the provisions of Article VIII of the SEPARATION AND DISTRIBUTION AGREEMENT, which shall apply mutatis mutandis to this Agreement.

15. Miscellaneous

Except as otherwise expressly set forth in this AGREEMENT, the provisions in Article XI of the SEPARATION AND DISTRIBUTION AGREEMENT (which Article XI addresses counterparts, entire agreement, corporate power, governing law, assignability, third party beneficiaries, notices, severability, force majeure, publicity, expenses, headings, survival of covenants, waivers of default, specific performance, amendments, interpretation, jurisdiction and service of process, currency and late payments) other than the provisions thereof relating to assignability, shall apply mutatis mutandis to this AGREEMENT.

16. Independent Contractor

(a) LICENSEE is an independent contractor and nothing contained in this AGREEMENT shall constitute LICENSEE or any sublicensee pursuant to Section 2(b), the agent or the legal representative of LICENSOR for any purpose whatsoever. LICENSEE is not granted any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of LICENSOR, or to bind LICENSOR in any manner, or with respect to anything whatsoever. LICENSEE shall have, at its sole cost and expense, the sole responsibility to comply with all laws relating to the provision of the SERVICES and the manufacture and marketing of the PRODUCTS.

17. Assignment

Neither this AGREEMENT nor any of the rights, licenses and obligations of LICENSEE hereunder shall be assigned, conveyed, sublicensed (except as otherwise provided in Section 2) or transferred in whole or in part by LICENSEE without LICENSOR's prior written consent; provided, however, that LICENSEE may assign this AGREEMENT without the consent of LICENSOR to any third party that acquires, by any means, including by merger or consolidation, assets of LICENSEE or its SUBSIDIARIES, including EQUITY

INTERESTS in any SUBSIDIARIES of LICENSEE, that constitute all or substantially all the consolidated assets of LICENSEE and its SUBSIDIARIES that are used in connection with the BHS BUSINESS (as defined in the TRANSITION SERVICES AGREEMENT); provided further, that if LICENSEE effects an assignment to a COMPETITOR pursuant to the foregoing proviso, LICENSOR shall have the right to terminate this AGREEMENT upon 180 days' prior written notice to LICENSEE. Notwithstanding anything herein to the contrary, LICENSOR agrees not to effect (or allow any of its SUBSIDIARIES to effect), or enter into (or allow any of its SUBSIDIARIES to enter into) any agreement to effect, any sale, transfer or other disposition by any means of assets constituting all or substantially all the consolidated assets of LICENSOR and its SUBSIDIARIES to any PERSON (other than LICENSOR or any of its SUBSIDIARIES) if the successor, surviving or acquiring PERSON will not automatically succeed to the obligations of LICENSOR under this AGREEMENT by operation of law, unless such PERSON agrees in writing, for the benefit of LICENSEE, to assume the obligations of LICENSOR hereunder. Any purported assignment in violation of this Section 17 shall be void and shall constitute a material breach of this AGREEMENT. Except as expressly provided herein, this AGREEMENT shall inure to the benefit of the parties hereto and their respective successors and permitted assigns and the parties entitled to indemnification hereunder and no other PERSON shall have any right, obligation or benefit hereunder. The rights of LICENSEE under the licenses granted pursuant to Section 2 in respect of any TRADE SYMBOL shall continue in full force and effect after any transfer of such TRADE SYMBOL by LICENSOR to a third party during the TERM, and LICENSOR agrees that prior to any transfer of any TRADE SYMBOL LICENSOR shall obtain the agreement of the transferee in a writing addressed to LICENSEE to be bound by the licenses granted under this AGREEMENT with respect to such TRADE SYMBOL. Further, in the event of an assignment of this AGREEMENT by LICENSOR, to the extent LICENSOR retains ownership of any of the TRADE SYMBOLS, the rights of LICENSEE under the licenses granted pursuant to Section 2 in respect of such TRADE SYMBOLS shall continue in full force and effect after such assignment.

IN WITNESS WHEREOF, each of the parties hereto has caused this BRAND LICENSING AGREEMENT to be executed and sealed by its duly authorized representative on the date indicated.

BRINK'S NETWORK, INCORPORATED,

by

/s/ F. T. Lennon

Name: Frank T. Lennon

Title: Vice President

BRINK'S HOME SECURITY HOLDINGS, INC.,

by

/s/ Robert B. Allen

Name: Robert B. Allen

Title: President and Chief Executive Officer

Acknowledged and Agreed as to Sections 5(f) and 5(k):

BRINK'S HOME SECURITY, INC.,

by

/s/ Robert B. Allen

Name: Robert B. Allen

Title: President and Chief Executive Officer

Schedule A

I. TRADEMARK	INTERNATIONAL CLASS	U.S. REG. NO./APP. NO.
BRINK'S	35	529,622
BRINK'S INCORPORATED	35	627,536
Oval with Wings & Letter "B"		
Oval with Wings & Letter "B" & Money Box	36	643,998
Shield With Wings & Letter "B"	36	754,329
BRINK'S	39	1,309,375
BRINKS + design	35, 36, 39	1,313,790
BRINKS + design	35	1,411,610
*BRINK'S HOME SECURITY	35	1,412,587
AFFORDABLE PROTECTION. A NAME YOU CAN TRUST.	35	1,578,050
BRINKS + design	9	App. No. 76/689,349
A TRUSTED NAME IN SECURITY SINCE 1859		
SECURITY SINCE 1859		
DEPICTION OF BRINK'S TRUCK		

¶* BHS TRADE SYMBOL

II. TRADEMARK	CLASS	CANADA REG./APP. NO.
BRINK'S	35,36,39	TMA316,696
BRINKS+D	35,36,37,49	TMA310,611
Shield Design and Letter "B"	35,36,39,41	TMA281,451
MONEY AND VALUABLES Wings	35,36	TMA133,222
*BRINK'S HOME SECURITY	45	TMA450,039
*BRINK'S HOME SECURITY	6,13,21	TMA506,613
*BRINKS HOME SECURITY+D	6,13,21	TMA506,657
*BRINKS HOME SECURITY+D	9	TMA541,336

* BHS TRADE SYMBOL

III. TRADE NAME
*Brink's Business Security
*Brink's Home Technologies
*Brink's Home Security Canada
*Brink's Home Security Holdings

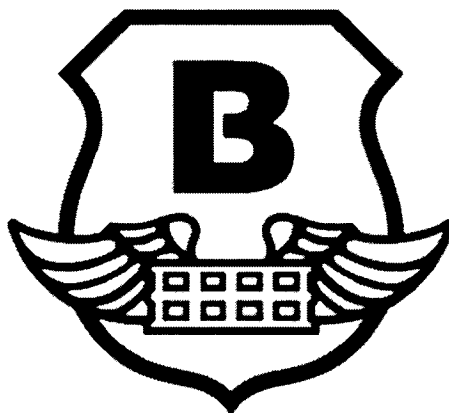
* BHS TRADE SYMBOL

IV. DOMAIN NAMES

brinksalarmsystem.com	brinksalarm.com
brinksdoorlock.com	brinkscompany.org
mybrinks.net	brinksextinguisher.com
brinks-locks.com	brinksfire.com
brinks-locks.net	brinksfireextinguisher.com
brinks-safe.com	brinksguard.com
brinks-safe.net	brinkshomesecuritysucks.biz
brinkslocks.com	brinkshomesecuritysucks.com
brinkslocks.net	brinkshomesecuritysucks.net
brinkssafe.com	brinkslights.com
brinkssafe.net	brinksprotection.com
brinkspadlocks.com	brinkssecurity.net
brinkspadlocks.net	brinksucks.biz
brinkssecure.net	brinksucks.net
brinkssecure.org	brinksucks.biz
brinkshome.com	brinksucks.com
brinkshome.net	brinksucks.net
brinkshome.org	thebrinkscompany.org
brinksgold.com	brinksburglaralarm.com
brinksgold.net	brinksburglaralarm.net
brinkshomeoffice.com	brinksburglaralarm.org
brinkshomeoffice.net	brinkshomealarm.net
brinkshomeoffice.org	brinkshomealarm.org
brinkshomesecurity.net	brinkssecurity.org
brinkshomesecurity.org	*brinksauthorizeddealer.com
buybrinks.com	*brinkshometechnologies.com
*brinksbusinesssecurity.com	gobrinks.com
brinksalarms.net	mybrinksonline.com
brinksalarms.org	bhssecurity.com
*brinkshomesecurityholdings.com	*brinkshomesecurity.com
*brinkshomesecurityholdings.net	brinks.com
*brinkshomesecurityholdings.org	*mybrinks.com
brinks-safes.net	mybrinks.org
brinks-sucks.biz	brinkshomesecurity.biz
brinks-sucks.net	brinkshomesecurity.info
*freebrinks.com	*brinksdealer.com

* BHS TRADE SYMBOL

|||BRINKS



BRINK'S

A-3

APPENDIX F

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

EX-10.4 5 ex10-4.htm NON-COMPETITION AND NON-SOLICITATION AGREEMENT BETWEEN THE BRINK'S COMPANY
AND BRINK'S HOME SECURITY HOLDINGS, INC.

Exhibit 10.4

EXECUTION COPY

NON-COMPETITION AND NON-SOLICITATION AGREEMENT (this "Agreement") dated as of October 31, 2008, between THE BRINK'S COMPANY, a Virginia corporation ("Brink's"), and BRINK'S HOME SECURITY HOLDINGS, INC., a Virginia corporation ("BHS"). Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Separation and Distribution Agreement (as defined below).

WHEREAS, pursuant to a Separation and Distribution Agreement (the "Separation and Distribution Agreement") dated as of October 31, 2008, Brink's has agreed to distribute, on a pro rata basis, to the Record Holders all the outstanding shares of BHS Common Stock owned by Brink's on the Distribution Date (the "Distribution"); and

WHEREAS, on and after the Distribution Date, BHS is to continue to engage in the BHS Business, including the Restricted Activities (as defined herein), and Brink's is to continue the Brink's Business;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, in the Separation and Distribution Agreement and in the other Ancillary Documents entered into pursuant to or related to the Separation and Distribution Agreement, the parties hereto agree as follows:

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

- (a) "Agreement" has the meaning set forth in the preamble hereto.
- (b) "BHS" has the meaning set forth in the preamble hereto.
- (c) "Brink's" has the meaning set forth in the preamble hereto.
- (d) "Competing Business" means any business that is engaged, directly or indirectly, in Restricted Activities.
- (e) "Hampton Agreement" means the Trademark License Agreement dated January 1, 2005, between Hampton Products International, Corp. and Brink's Guarding Services, Inc.
- (f) "Non-Compete Period" means the period commencing on the Distribution Date and automatically terminating without further documentation on the fifth anniversary of the Distribution Date.
- (g) "Non-Solicitation Period" means the period commencing on the Distribution Date and automatically terminating without further documentation on the second anniversary of the Distribution Date.

Brink's Network, Inc. v. Brinkmann Corp. Opposition No. 91164764 Offering Party: Brink's Network, Inc. Appendix F
--

(h) "Restricted Activities" means (i) the provision, rental, installation, servicing, repair, distribution, storage, monitoring and maintenance of (A) security alarm systems for business and residential premises located within the Territory, including any video surveillance and any fire, carbon dioxide, water, temperature, intrusion and/or medical emergency alarm components of such security alarm systems, and (B) personal emergency response systems for senior citizens residing within the Territory; (ii) the provision of personal identity protection services for persons residing within the Territory; and (iii) the marketing, packaging, advertising and promotion of any of the services listed in this definition; in each case, during the Non-Compete Period.

(i) "Separation and Distribution Agreement" has the meaning set forth in the preamble hereto.

(j) "Subsidiary" has the meaning set forth in the Separation and Distribution Agreement. For the avoidance of doubt, for purposes of this Agreement, the term "Subsidiary" does not include the VEBA or any other trust maintained for the benefit of current or former employees of Brink's or its Subsidiaries.

(k) "Territory" means the United States of America, Puerto Rico and Canada.

(l) "Trade Symbols" has the meaning set forth in the Brand Licensing Agreement.

(m) "VEBA" means the voluntary employees' beneficiary association employee welfare benefits trust established by the Parent Employee Welfare Benefit Trust (f/k/a The Pittston Company Employee Welfare Benefit Trust) entered into by and between The Pittston Company, a Virginia corporation, and The Chase Manhattan Bank, as the trustee, as of July 28, 1999, as amended by the First Amendment of The Pittston Company Employee Welfare Benefit Trust dated as of November 1, 2001, entered into among The Pittston Company, The Chase Manhattan Bank, as the trustee, and FleetBoston Bank, as the successor trustee, and the Second Amendment of The Pittston Company Employee Welfare Benefit Trust, dated as of September 30, 2003, entered into by Parent, as sponsor, formerly The Pittston Company, as further amended from time to time.

SECTION 2. Effectiveness. This Agreement shall be effective as of the Distribution Date and (a) shall be null and void and of no further force and effect if the Separation and Distribution Agreement is terminated in accordance with its terms prior to the Distribution and (b) shall terminate at the end of the Non-Compete Period.

SECTION 3. Agreement Not to Compete. (a) Except as provided in Sections 3(b) and (c), Brink's shall not, and shall cause each of its Subsidiaries not to, (i) directly or indirectly, participate in, engage in or carry on any Restricted Activities or own, operate, control, share any revenues of or have any profit or other debt or equity interest in any Competing Business or (ii) actively assist any Person (other than BHS or its Subsidiaries) in any way (including by means of providing financing to such Person), directly or indirectly, to participate in, engage in or carry on any Restricted Activities or own, operate, control, share any revenues of or have any profit or other debt or equity interest in any Competing Business.

(b) Notwithstanding anything herein to the contrary, Section 3(a) shall not prohibit Brink's or its Subsidiaries from the following activities:

(i) the participation or engagement in any type of business conducted by BHS or any of its Subsidiaries other than the Restricted Activities;

(ii) in the ordinary course of business of Brink's or any of its Subsidiaries, the purchase of products or services from, or sale of products or services to, a Person that is engaged in Restricted Activities, provided that the primary purpose of any such purchases or sales is not to assist such Person in engaging in or establishing a Competing Business;

(iii) the beneficial ownership of not more than an aggregate of 5.0% of the outstanding voting power of any Person engaged in any Competing Business whose securities are listed on any national securities exchange or automated quotation system, provided that Brink's does not, directly or indirectly, control such Competing Business;

(iv) the ownership of indebtedness of any Competing Business if (A) the aggregate principal amount of indebtedness of such Competing Business owned by Brink's and its Subsidiaries does not exceed \$50,000,000 and (B) such indebtedness owned by Brink's and its Subsidiaries does not represent more than 5.0% of any series of indebtedness of such Competing Business, provided that all series of indebtedness of any Competing Business that vote as a single class shall be considered a single series of indebtedness for purposes of this Section 3(b)(iv); or

(v) the acquisition of any interest in, or indebtedness of, a Competing Business, if the Restricted Activities of such Competing Business account for less than 20.0% of such Competing Business's consolidated annual revenues for the fiscal year immediately preceding the date on which such acquisition or combination is consummated, provided that, if revenues from such Restricted Activities exceeded \$50,000,000 during the 12 month period immediately preceding such acquisition or combination, Brink's or its Subsidiary, as the case may be, will sell its interest in such Competing Business within 12 months of such acquisition or combination.

(c) In the event Brink's or any of its Subsidiaries acquires an ownership or other interest in, or indebtedness of, any Competing Business in excess of the percentage or dollar thresholds set forth in Section 3(b)(iii), (iv) or (v), Section 3(a) shall nevertheless be deemed not breached in the event that Brink's or the relevant Subsidiary uses all reasonable efforts to dispose of such interest or indebtedness in excess of such thresholds in a bona fide sale at market value (as determined in good faith by the Board of Directors of Brink's) as soon as possible, and Brink's or the relevant Subsidiary completes the sale of such interest or indebtedness in excess of such thresholds within 12 months of the date of acquisition of such interest or indebtedness. For the avoidance of doubt, Brink's or the relevant Subsidiary will be in breach of this Agreement if it continues to have any ownership or other interest in, or indebtedness of, such Competing Business in excess of such thresholds beyond 12 months following the date of the acquisition of such interest or indebtedness.

(d) During the Non-Compete Period, Brink's shall not, and shall cause each of its Subsidiaries not to, enter into any new agreement to license any of the Trade Symbols or any other mark using the word "Brink's" or any derivation thereof to any Person (other than BHS or any of its Subsidiaries) for use in any Restricted Activities; provided, however, that this clause (d) shall not prohibit any license of any of the Trade Symbols to Hampton Products International, Corp. pursuant to an amendment, renewal, or replacement of the Hampton Agreement so long as the Restricted Activities for which such Trade Symbols may be used are not broader in scope than the Restricted Activities set forth in the Hampton Agreement as of the date of this Agreement.

SECTION 4. Agreement not to Solicit. (a) During the Non-Solicitation Period, neither Brink's nor any of its Subsidiaries will (a) solicit, recruit or hire any employee of BHS or any of its Subsidiaries or (b) solicit or encourage any employee of BHS or any of its Subsidiaries to leave the employment of BHS or such Subsidiary, provided that this Section will not prohibit (i) general solicitations of or advertisements for employment by Brink's or any of its Subsidiaries that are not specifically directed toward such employees and (ii) the solicitation, recruitment or hiring by Brink's or any of its Subsidiaries of any such employee whose employment with BHS or any of its Subsidiaries was involuntarily terminated prior to such solicitation, recruitment or hiring.

(b) During the Non-Solicitation Period, neither BHS nor any of its Subsidiaries will (a) solicit, recruit or hire any employee of Brink's or any of its Subsidiaries or (b) solicit or encourage any employee of Brink's or any of its Subsidiaries to leave the employment of Brink's or such Subsidiary, provided that this Section will not prohibit (i) general solicitations of or advertisements for employment by BHS or any of its Subsidiaries that are not specifically directed toward such employees and (ii) the solicitation, recruitment or hiring by BHS or any of its Subsidiaries of any such employee whose employment with Brink's or any of its Subsidiaries was involuntarily terminated prior to such solicitation, recruitment or hiring.

SECTION 5. Dispute Resolution. The Dispute Resolution provisions in Article VIII of the Separation and Distribution Agreement shall apply, mutatis mutandis, to this Agreement.

SECTION 6. Miscellaneous. (a) Except as otherwise expressly set forth in this Agreement, the Miscellaneous provisions in Article XII of the Separation and Distribution Agreement (which Article XII addresses counterparts, entire agreement, corporate power, governing law, assignability, third party beneficiaries, notices, severability, force majeure, publicity, expenses, headings, survival of covenants, waivers of default, specific performance, amendments, interpretation, jurisdiction, service of process, currency and late payments) shall apply, mutatis mutandis, to this Agreement.

(b) Construction. If any restriction or covenant contained in this Agreement is in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, such provision shall be construed and interpreted or reformed so as to provide for a provision having the maximum enforceable geographic area, time period and other terms (not exceeding those contained herein) as valid and enforceable under applicable law. The parties hereto acknowledge that this Agreement has been negotiated and that the restrictions contained herein are reasonable in light of the circumstances that pertain to the parties hereto.

(c) Assignability. This Agreement shall be binding on upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that no party hereto may assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other party hereto. Notwithstanding anything herein to the contrary, (i) in the event any Person acquires, by any means, including by merger or consolidation, assets of BHS or its Subsidiaries, including equity interests in any such Subsidiaries, that constitute all or substantially all the consolidated assets of BHS and its Subsidiaries that are used in connection with the BHS Business (as such term is defined in the Transition Services Agreement), BHS may assign its rights and obligations hereunder to such acquirer and (ii) Brink's agrees not to effect (or allow any of its Subsidiaries to effect), or enter into (or allow any of its Subsidiaries to enter into) any agreement to effect, any sale, transfer or other disposition by any means of assets constituting all or substantially all the consolidated assets of Brink's and its Subsidiaries to any Person (other than Brink's or any of its Subsidiaries) if the successor, surviving or acquiring Person will not automatically succeed to the obligations of Brink's under this Agreement by operation of law, unless such Person agrees in writing, for the benefit of BHS, to assume the obligations of Brink's hereunder with respect to the assets so acquired by such Person.

IN WITNESS WHEREOF, the parties hereto have executed this Non-Competition and Non-Solicitation Agreement as of the date first above written.

THE BRINK'S COMPANY,

by /s/ Michael Dan _____

Name: Michael T. Dan

Title: President and Chief Executive
Officer

BRINK'S HOME SECURITY HOLDINGS,
INC.,

by /s/ Robert B. Allen _____

Name: Robert B. Allen

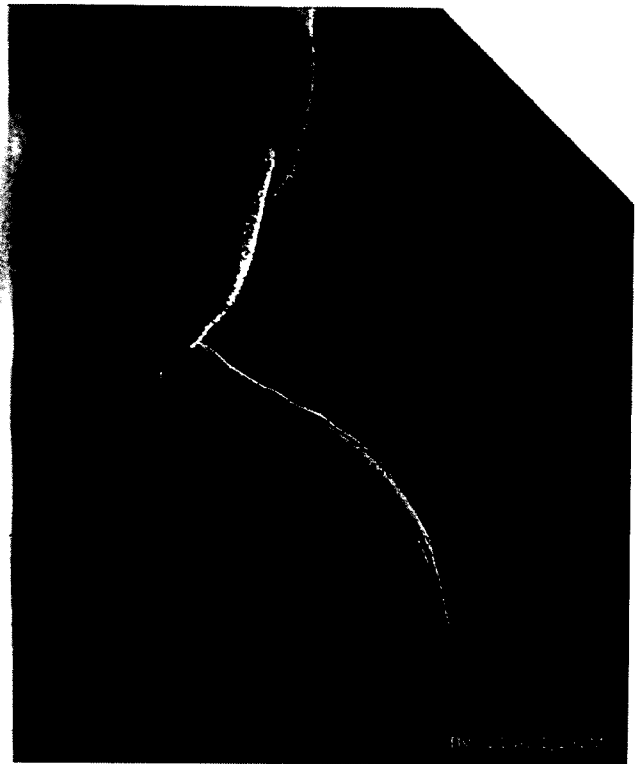
Title: President and Chief Executive Officer

APPENDIX G

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

Alarming Facts Every Homeowner Should Know...

- A home without a security system is 2 to 3 times more likely to be burglarized¹
- 70% of all burglaries in 2008 took place in homes²
- The FBI reports a burglary occurs every 14 seconds²



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Easy to Use

- Intuitive systems even children can use
- One-touch emergency buttons to quickly call for help
- Recipient of a Consumers Digest Best Buy award for the standard system

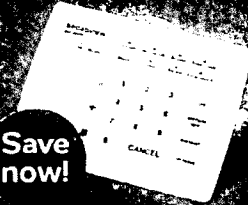
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*Call for information on Broadview Security monitoring fees and other terms. OFFER REQUIRES SIGNUP IN EASYWAY AUTO PAYMENT. Three-year monitoring agreement required. Applicable taxes and permit fees not included. Offer applies only to new wired equipment. Offer may not be combined with any other discount and is subject to change. Home ownership and credit approval required. Home must be located in a Broadview Security service area. The Best Buy and iB registered trademark of Consumers Digest Communications LLC used under license. ©2010 Broadview Security, Inc. 8800 Emswiler Blvd., Wm., VA 22603. AL#331, AR#331-28, AZ#PD005024, AZ#PD0149830, CA#ACO18413, FL#PD004021, GA#VLMR0073, IL#177-000766, LA#F127, MA#7248C, MD#107-312, MI - 44720 Helen St., Plymouth, MI 48176, NC#1127, CSA, NJ#13V105457400 and Burglar Alarm and Fire Alarm Business License REF000188, NY#22000277292. Licensed by the NYS Department of State, OK#587, OR#44421, PA#000067, SC#BA-349 and PFA-3273, TN Alarm Cert. #0053 and 000000234, TX#B04296, UT#323355-0001, WA#211-1264, WY#111908. Offer ends December 31, 2010.

MS#15009242

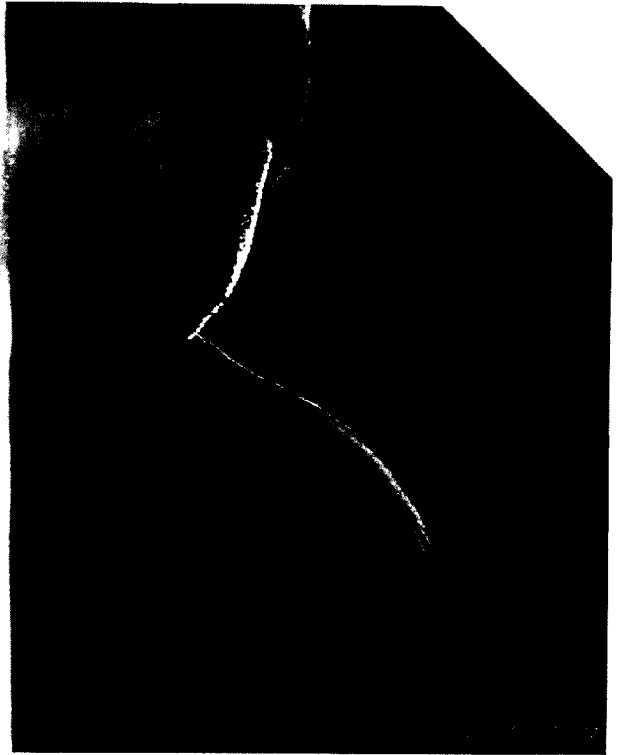
Alarming Facts Every Homeowner Should Know...

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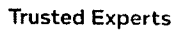
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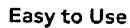
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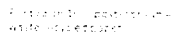
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Offer ends



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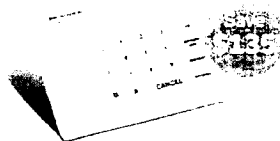
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New name.

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2nd keypad installation



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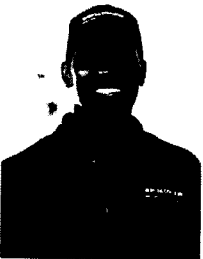


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- Extensive emergency backup infrastructure
- Monitoring centers meet world-renowned Underwriters Laboratories' standards



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Easy to Use

- Intuitive systems even children can use
- One-touch emergency buttons to quickly call for help
- Recipient of a Consumer Digest Best Buy award for the iGuard system

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Abstract The purpose of this study was to determine the effect of a 12-week, 3-day-per-week, 100-min-per-session, resistance training program on the muscle strength and endurance of 10-year-old children. The study was conducted in a school setting. The children were randomly assigned to a control group (CG) and an experimental group (EG). The EG performed a resistance training program consisting of 10 exercises for 12 weeks. The CG did not perform any resistance training. The muscle strength and endurance of the children were measured at baseline and at the end of the 12-week program. The results showed that the EG had significantly greater muscle strength and endurance than the CG at the end of the 12-week program. The findings of this study suggest that a 12-week, 3-day-per-week, 100-min-per-session, resistance training program can improve the muscle strength and endurance of 10-year-old children.

³ *Journal of the Royal Society of Medicine*, 1990, 83, 1029-1030.

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[illegible]

— *Journal of the American Medical Association*, 1997

APPENDIX H

FILED UNDER SEAL

**Reply Memorandum in Support of
Motion for Leave to File
Third Amended Notice of Opposition**

APPENDIX I

**Reply Memorandum in Support of
Motion for Leave to File
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Use these links to rapidly review the document

[TABLE OF CONTENTS](#)
[TABLE OF CONTENTS](#)

Brink's Network, Inc. v. Brinkmann Corp.
Opposition No. 91164764
Offering Party: Brink's Network, Inc.
Appendix I

[Table of Contents](#)

As filed with the Securities and Exchange Commission on February 9, 2010

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TYCO INTERNATIONAL LTD.

(Exact name of Registrant as Specified in its Charter)

Switzerland	7380	98-0390500
(State or other jurisdiction of incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Freier Platz 10
CH-8200 Schaffhausen, Switzerland
41-52-633-02-44

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Judith A. Reinsdorf
Executive Vice President and General Counsel
Tyco International Management Company
9 Roszel Road
Princeton, New Jersey 08540
(609) 720-4200

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

With a copy to:

Thomas W. Hughes, Esq.
James R. Griffin, Esq.
Fulbright & Jaworski L.L.P.
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201-2784
(214) 855-8000

John S. Davis
Senior Vice President, General Counsel
Brink's Home Security Holdings, Inc.
8880 Esters Boulevard
Irving, Texas 75063
(972) 871-3500

Alan M. Klein, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(212) 455-2000

Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a
smaller reporting company)

Smaller reporting company ☐

Broadview 000001

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Shares, Par Value CHF 7.84	—	N/A	\$1,955,122,749	\$139,401

- (1) Omitted in reliance on Rule 457(o) of the Securities Act of 1933.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933 and computed pursuant to Rule 457(c) and 457(f) of the Securities Act of 1933. The proposed maximum offering price is equal to the product of (a) \$41.29, the average of the high and low prices per share of common stock of Brink's Home Security Holdings, Inc. ("BHS") as reported on the New York Stock Exchange composite transactions reporting system on February 2, 2010 and (b) the maximum possible number of shares of BHS common stock which may be converted into the registrant's common shares pursuant to the merger agreement (calculated as 47,350,999, which includes (i) the 45,843,368 issued and outstanding shares of BHS common stock as of January 11, 2010, plus (ii) the 1,507,631 shares of BHS common stock issuable pursuant to outstanding stock options, restricted stock units and deferred stock units).
- (3) Computed in accordance with Section 6(b) of the Securities Act of 1933 by multiplying 0.0000713 by the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY—SUBJECT TO COMPLETION—DATED FEBRUARY 9, 2010



MERGER PROPOSED—YOUR VOTE IS VERY IMPORTANT

Dear Brink's Home Security Holdings, Inc. Shareholders:

The board of directors of Brink's Home Security Holdings, Inc. ("BHS") has unanimously adopted and approved an agreement and plan of merger with Tyco International Ltd. ("Tyco") pursuant to which BHS will merge with and into a wholly owned subsidiary of Tyco. We are sending you the accompanying proxy statement/prospectus to notify you of the special meeting of BHS shareholders being held to vote on the merger agreement and related matters and to ask you to vote at the special meeting in favor of the merger agreement.

If the merger is approved by our shareholders and the merger is completed, for each share of BHS common stock that you hold, you will be entitled to elect to receive (a) \$42.50 in cash, without interest (subject to certain proration and adjustment procedures as described below), (b) Tyco shares equal to \$42.50 divided by the Tyco Share Value (calculated as described below), or (c) a combination of \$12.75 in cash and Tyco shares equal to \$29.75 divided by the Tyco Share Value (calculated as described below). "Tyco Share Value" means the volume-weighted average price of Tyco's shares on the New York Stock Exchange during the ten consecutive trading days ending on the fourth full trading day prior to the closing date of the merger; however, this value is subject to a "collar" such that the Tyco Share Value will not be less than \$32.97 or more than \$40.29. Shareholders should note that the stock portion of their merger consideration could be worth more or less than \$42.50, for shares with respect to which an all-stock election has been made, or \$29.75, for shares with respect to which a mixed election has been made, if the Tyco Share Value is more than \$40.29 or less than \$32.97. If you do not make an election with respect to your shares and the merger is completed, your shares will automatically be converted into the right to receive the mix of cash and stock as described above.

In the event the cash consideration to be paid to our shareholders in the transaction exceeds approximately \$584.5 million (based on the number of BHS shares currently outstanding) plus an amount determined by multiplying \$12.75 by the number of BHS stock options that are exercised prior to the end of the fourth full trading day prior to the closing of the merger, which sum we refer to as the "cap", our shareholders making a cash election will be subject to proration and adjustment so that each such shareholder will receive a mix of cash and Tyco shares (instead of just cash) to allow the cash consideration to be limited to the cap.

Tyco's shares trade on the New York Stock Exchange under the symbol "TYC," and BHS common stock trades on the New York Stock Exchange under the symbol "CFL."

For a discussion of risk factors that you should consider in evaluating the merger and the other matters on which you are being asked to vote, see "Risk Factors" beginning on page 25 of the enclosed proxy statement/prospectus.

We cannot complete the merger without the approval of holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. A failure to vote on the proposal to approve the merger has the same effect as a vote by you AGAINST the approval of the merger. Therefore, your vote is very important, regardless of the number of shares of common stock you own, and we urge you to take the time to vote by following the instructions on your proxy card regardless of whether you plan to attend the special meeting.

The special meeting will be held at [•] a.m. (local time) on [•], 2010, at The Westin Dallas Fort Worth Airport, 4545 West John Carpenter Freeway, Irving, Texas 75063.

The BHS board of directors unanimously recommends that you vote "FOR" the approval of the merger agreement, the merger and the plan of merger.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert B. Allen".

Robert B. Allen
Chief Executive Officer, President and Director

Broadview 000003